



# ***JPRS Report***

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## GENERAL

### Proposed Policy Responses to Shifting U.S.-Sino-Soviet Relations

40050565 Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 9, 8 May 89 pp 20-21

[Article by Wu Zhikuan 0702 1807 1401: "An Examination of the Strategic Concept of the 'Great Triangle'"]

[Excerpts] At this major turning point in international affairs, people are watching with great interest to see what kind of changes will occur in the triangular, strategic relationship between China, the United States, and the Soviet Union. Some news media in the Soviet Union and Eastern Europe recently have claimed that the concept of the "great triangle" is passe because there has been a relaxation in the tense relations between the Soviet Union and the United States and in the sharp conflict between the Soviet Union and China. American experts such as Weinberger and Kissinger, on the other hand, argue that continued development of U.S.-Sino military and other cooperation is in the interest of both countries and that it plays an important role in maintaining the stability of the Asian-Pacific region and in preserving the global balance of power.

In dealing with these crucial issues affecting the overall picture in international affairs, the question of how we can continually adjust, on the basis of conditions in China, practical reality, and the needs associated with reform and liberalization, our foci of strategic cooperation so as to respond to the changes and new circumstances in international affairs has become extremely urgent.

This article will attempt a preliminary analysis and exploration of these issues. [passage omitted]

### Lessons To Be Drawn from Our Long Struggle in Diplomacy

1. Free ourselves from the grip of traditional diplomacy. For a long time, our foreign-policy line tended to define friend and foe on the basis of ideological and social-system difference or similarity. From "we have close friends on our own continent" to "comrade and brother," this idealistic, "romantic" diplomacy ended up frequently victimizing our own country, a typical example of which tendency was the "beacon shining in the skies over Europe," on which we lavished, despite our poverty, fully 20 billion yuan in a naive, misguided effort to impress the world.

International relations have entered a new era, so we must thoroughly extricate ourselves from the fetters of traditional prejudice and dogma in our diplomacy. The recent establishment of cooperative ties between the Council for Mutual Economic Assistance of Eastern Europe and the European Community of Western Europe, the eruption of nettlesome conflict between

Hungary and Romania, and the Soviet Union's diplomatic flirtation with South Korea fully reflect the current effort by socialist countries to eradicate the pernicious influence of "leftism" and to practice pragmatism.

2. Pay close attention to the role of strategic balance. We must have our own independent approach to and not be swayed by any external influence on this issue. As a political power and to continue developing and maintaining its proper role in international affairs, we must not overlook use of the concept of strategic balance. Naturally, our approach to "balance of power" should neither be the effort, such as that of 19th-century Austria, to seek survival in the interstices among the great powers nor the "China card" wielded by the United States and the Soviet Union but rather properly to play the global "role" history has conferred upon us. In reality, balance of power among the great nations or among the various forces of the world is temporary. Any player adjusts his strategy according to the dictates of the political and economic conditions he faces, moving from offense, to stalemate, to drawback, and to retreat. The fact that the situation changed from the late 1970's, when the Soviet Union was on the offensive and the United States was on the defensive, to the late 1980's, in which the relationship was reversed, clearly demonstrates this fundamental law. Thus the recent global detente and other international currents, the replacement of confrontation by dialogue, and the large, unilateral disarmament announced by the Soviet Union are gratifying. Yet, we must recognize that history does not unfold rectilinearly, that the light of the "god of peace" has yet to bathe the entire globe, that old hot spots have not fully cooled, that new ones are beginning to flare up, and especially that qualitative improvements have been achieved in the development of even more deadly weaponry. And as the form of international struggle changes, that struggle, under certain conditions, may become even more intense than military and political contention. To preserve themselves and to deflect crises, friends and foes regularly switch places, and "eternal friendship" in reality does not exist internationally. Thus, we must not naively conclude that "olive branches pervade the world." Rather, we should judge the hour and size up the situation, act with foresight and vision, artfully combine foreign-policy principles with flexible tactics, oppose what should be opposed, tilt when tilting is called for, and carve out and play our own distinctive role, rooted primarily in our own interests, in the strategic balance of power. Some people argue that engaging in strategic cooperation conflicts with the principle of not allying with any great power or bloc. Actually, that is not the case, for the United States has long treated China as a friend but not as an ally.

3. Develop an aggressive, dominant diplomacy. A great and proud country, we live in a world in which there is growing interdependence among nations and a wide variety of forms of cooperation among regional blocs. And given the general need to build a new economic order, China must dare to become an adept participant

in major international events and activities. To this end, we must shed our inferiority complex and the belief that we are economically weak and lacking in clout when we speak, a belief that is so strong as to prevent us from assessing our overall national might; and we must also abandon the "trickery strategy" upon which we have long relied—the outmoded, eight-legged "philosophy" of "playing the barbarians off against each other," "perching on mountain tops to watch tigers brawl," and the like. The ultimate standard of our diplomacy should be always to act so as to uphold world peace and to advance the cause of China's modernization, to fight vigorously for what should be fought for, and to jettison without any hesitation what should be jettisoned. In this regard, there is Gorbachev's new thinking on diplomacy. To meet the need to accelerate domestic development and to reduce the military gap between the Soviet Union and the United States, Gorbachev within a short period of time played one spectacular "detente card" after another and thus improved the Soviet Union's image abroad. The across-the-board aggressiveness Gorbachev has displayed in his effort to achieve his strategic objectives merits our consideration.

The previous belief that foreign policy serves domestic politics is a passive view and clearly out of step with the times. We must recognize that the world is shrinking, that cooperation among nations and regions is diversifying, and thus that we must attach greater importance to and plan our foreign policy in a comprehensive way. Only thus can we respond to new circumstances and changes in international affairs. We must also dispel the mystery—"external affairs, always intractable, are unfathomable to mortal men"—that has long colored our perception of foreign affairs, so as to increase the international understanding of China's diplomacy, broadly develop democracy, expand political participation, mobilize the intelligence and wisdom of experts in all fields and of the 1-billion strong masses, and adopt an independent, practical, and aggressive diplomatic posture. This will enable us to extricate ourselves from passivity and to achieve new progress amidst the intense international rivalry of the future.

### Focus of East-West Relations Shifting to Europe

40050545 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 9, 1 May 89 pp 4-5

[Article by Xin Peihe 2946 3099 0678: "Europe—New Center Stage of East-West Relations?"]

[Text]When Gorbachev began the "Year of Europe," some well-known American figures one after the other recommended that America's policy toward Europe be put in a prominent position. For profound historical and practical reasons, the trial of strength and the contention between America and the Soviet Union has returned to Europe, where they both have major interests.

In the current overall international situation, in which there is a trend toward relaxation, the structure in which

the two superpowers—the United States and the Soviet Union—are the principal adversaries has not changed. While conducting a wide-ranging dialogue, they are contending in many forms in various places in the world. Here, a question worthy of consideration is: Could Europe replace the Third World and again become the center stage for U.S.-Soviet contention and East-West relations?

The raising of this question is not fortuitous. Looking at the appearance of things, Europe seems to be the focal point of Gorbachev's diplomatic offensive this year. During Mr Gorbachev's recent 40-hour visit to Britain, he and Mrs Thatcher had talks on major issues of East-West relations and on relations between the two sides, talks which may be said to have opened the curtain on this offensive. Beginning this summer, Gorbachev will visit the Federal Republic of Germany, France, Italy, and the European Parliament, making this year Gorbachev's "Year of Europe." On the American side, just when the Bush administration was carefully deliberating its foreign policy, some well-known figures in political circles and some scholars had made suggestions, and urged that America's policy toward Europe be placed in a prominent position. In an article he wrote for the 1988-89 winter issue of FOREIGN AFFAIRS, [former President Richard] Nixon said: "Now, Gorbachev has made this ancient world (Europe) the new prominent focal point and target of his new foreign policy," "Europe has once again become the focal point of East-West conflict, and America's strategy toward the Soviet Union must adapt to this situation by changing." [Henry] Kissinger maintained, "The Soviet Union's policy, no matter whether intentionally or unintentionally, has already made people put the focus of diplomacy on Europe."

A substantive analysis shows that there seem to be the following reasons for Europe's becoming the focal point of East-West relations for a period in the future.

First of all, it is precisely an inevitable product of the relaxation in U.S.-Soviet relations and East-West relations. Some "hot spots" in the Third World are cooling off and gradually heading toward a political solution, and initial progress toward a breakthrough has been achieved in the arms control talks, thereby causing the focal point of these relations to shift much more toward Europe. After the intermediate-range missile treaty was signed and a certain amount of progress was made in the U.S.-Soviet talks on cutting strategic weapons during the Reagan era, the issue of conventional force cuts gradually became the center of progress in arms control. In December of last year, at the UN General Assembly, Gorbachev put forward a major measure, namely that in the 1989-90 period, the Soviet Union would unilaterally cut 500,000 troops. In March of this year, at the opening session of the Vienna talks on cuts in conventional forces in Europe, representatives of NATO and the Warsaw Pact put forward each side's proposals. All of these things and the cuts in the conventional forces of the two

great military blocs, as well as the closely related question of short-range nuclear weapons, were put on the daily agenda of the two sides. Of particularly important significance was the fact that Gorbachev clearly admitted the imbalanced state in conventional forces in Europe of the two great military blocs. (Francois Hysibao 1381 5695 4792 4828 1585 2448 1545), director of the London-based International Institute of Strategic Studies, concluded: Because the Soviet Union is now giving priority consideration to the solution of its economic problems, if Gorbachev's planned disarmament is truly implemented, its scale will far exceed the limited demand by Western countries in the 1972-88 MBFR [Mutual and Balanced Force Reduction] talks. He recommended that the Atlantic Alliance be fully prepared in this respect, and that it put forth an overall plan for talks with the Soviet Union. In this way, not only would the focus of disarmament talks be on Europe, but also, centered on these talks, there would appear between the United States and the Soviet Union, and between each one's allies, an intricate pattern of struggle. Currently, between the United States and the Soviet Union, as well as within the West, the deep divergence of opinions on the question of modernizing NATO's short-range missiles is a prominent case in point. In March of this year, when questioned by a reporter of the West German weekly DER SPIEGEL, former West German Chancellor Schmidt asked indignantly: "Mrs Thatcher, former U.S. Secretary of Defense-designate Tower, and NATO Secretary General Woerner want, in the name of modernization, to increase the Lance missile's range by 4 times; what, in the final analysis, is their reason?" He advocated that the West German leaders "clearly oppose the modernization of this short-range nuclear weapon." Before this, Kissinger had said with a heavy heart: "The Soviets are patiently, step by step, getting de facto veto power over NATO's defense policy. For example, the question of the modernization of short-range nuclear weapons, which the Allies would have agreed on without discussion 10 years ago, has now become a major controversial issue."

**Next, it is also a result of the changes that have occurred in the long-term postwar trial of strength between the United States and the Soviet Union and between East and West, as well as in the balance of power. It has several levels of meaning. The first level of meaning is that the United States and the Soviet Union, after many years of fierce rivalry in the Third World, have finally discovered that the true strategic value of what they obtained in the Third World was limited, and that the price they paid was very high. Therefore, they have shifted the focus of their trial of strength to Europe, where there is the possibility for major gains and losses.**

The second level of meaning is that the building of socialist countries has encountered temporary setbacks. The Soviet Union and some socialist countries in Eastern Europe are engaged in reform of their political and economic systems in an attempt to narrow the gap in economics and in science and technology between them

and the developed countries, and to change their backward state. This has made the West think that, in the Cold War between East and West after World War II, "the West has been victorious."

In this regard, William Hyland, chief editor of the American quarterly FOREIGN AFFAIRS, stated plainly in an article: "The Soviet Union has its attraction ideologically and economically and has lost a lot of its political influence; its allies are in a feeble condition and have become a burden on the Soviet economy. Therefore, the West thinks that this situation provides an excellent opportunity for resolving the division of Europe created after the war." When commenting on this year's Vienna talks on conventional forces, President Bush stressed: "What is needed now is true reconciliation and an end to the divided state of Europe." Nixon advocated that the new U.S. administration put the question of Europe in the position of highest priority in its foreign policy, and adopt a European strategy that works along two lines: On the one line, restore the vigor of America's alliance with Western Europe, and on the other line promote the peaceful, vigorous evolution of Eastern Europe. Brzezinski suggested that the West, making use of its capital and technology, adopt a "differential treatment" policy to promote Eastern Europe's gradual use of more "market mechanisms" in the economy, "pluralize politics," and let the Soviet Union "feel that it can safely leave Eastern Europe."

The third level of meaning is that, accompanying the relative decline in the strength of the United States and the Soviet Union, on the one hand the strength of Western Europe will markedly increase and it will more and more doubt the reliability of America's nuclear deterrence, which will spur it to work more vigorously to improve its relations with the East; on the other hand, the initiative of the East European countries to formulate, in accordance with each one's national situation, each one's internal and external policies will also markedly increase. Thus, there has appeared a tendency in Eastern Europe and Western Europe to cast off the control of the two superpowers and enhance their mutual intercourse. Precisely against this background, people envisage three things in the political blueprint for the Europe of the future: The first thing is the "European house" put forth by the Soviet Union. Kissinger thinks that this is the Soviet Union's attempt to get the United States to leave Europe and have a European house which would include the Soviet Union itself, that is, a Europe reflecting Soviet dominance. The second thing is what is advocated by some figures in the United States, namely, "a European house from the Polish-Soviet border to the Atlantic coast, with a united Western Europe at its core." The third thing is an independent Europe that keeps the initiative in its own hands and that has truly cast off the control of the two superpowers.

In addition, to say that Europe will become the center of East-West relations includes the possibility, because of the convergence of many contradictions, that the Europe of the future will be a turbulent, unstable Europe. First,

there would be an intensification of U.S.-Soviet contention; second, there would be a turbulent political situation caused by reforms in the Soviet Union and Eastern Europe; and third, there would be a new growth of contradictions between the United States and Western Europe. In this, besides the differences in their policies toward the Soviet Union as well as the contradictions between one another in economic advantages and disadvantages, with the relative decline in America's strength the following trend of thought will appear in the United States: *economic nationalism + military neoisolationism + strategic unilateralism* (article by U.S. Ambassador to West Germany Burt). It could be manifested in economics in the form of trade protectionism and, in defense matters, in cuts in military expenditure and reductions in foreign obligations, as well as partial withdrawal of forces from Europe. If we combine this trend of thought in the United States with the "constant rise in Europe of anti-American sentiment in recent years" and

"Europe's stronger and stronger fervor for Gorbachev" (article in the 19 March 1989 WASHINGTON POST) and think about them, we will have a proper and sufficient estimation of the depth to which the contradictions between the United States and the Soviet Union could reach. Fourth, in Federal Germany, a trend toward neutralism could appear in its politics and diplomacy, arising from its defense of the nation's existence and its long-term desire for national reunification.

Even if the above views are very immature, people are now concentrating their attention on the general trend toward relaxation, and, while earnestly studying the Asian-Pacific region, where economic development is swift and strong, under the new circumstances, to explore the contention between the United States and the Soviet Union and Europe's position in this contention would perhaps not be disadvantageous.

### Intellectuals Debate Significance of Democracy Movement

40050544 Hong Kong PAI HSING in Chinese  
No 192, 16 May 89 pp 6-8

[Interviews with Beijing intellectuals by Zhang Jiefeng 1728 4814 7685: "The New Direction of China's Democracy Movement—Comparing Student and Democracy Movements in the Past Decade or So"]

[Text] The multifarious and multilevel mass movement carried out from 15 April to 4 May has achieved unprecedented success.

Being unprecedented is not equivalent to being an isolated point in history. It serves as a link to the past and an inspiration to the future. To probe the factors of success in the 1989 student strike, we have to trace back to the origin of the democracy movement in China; to analyze the significance of the student strike in 1989, we will be discussing the direction of the future progress of Chinese democracy.

Our magazine especially invited a few Beijing intellectuals, who have gone through several democracy movements, to discuss this significant issue. Conversations were carried out in several different interviews, but in order to make it easier for readers to get a more comprehensive understanding of the issue, we listed the opinions of different people under similar subjects like in a symposium.

Due to limited space, this issue will publish only two parts: One on the analysis of the significance of the 1989 student strike, the other on the initial attitude of the government in handling the student strike. A detailed introduction to the social background of several movements occurring since the 1976 Tiananmen Incident and a forecast of the direction of development of future democracy movements will be published in the second part of this article in the next issue.

People who participated in this discussion are:

Chen Ziming [7115 1311 2494], director of the Beijing Institute of Social Economic Science. During the Tiananmen Incident in 1976, he went to Beijing under the education through labor program, and later became the representative to negotiate with police who confiscated tributary wreaths. After the movement was suppressed, he ran back to the reformatory and avoided being caught during the general search and arrest. After he returned to Beijing, he entered the Institute of Chemical Industry and ran for district people's deputy during the 1980 election.

Wang Juntao [3769 6511 3447]. During the Tiananmen Incident, he was an activist in middle school. After the suppression, he was arrested on 15 April 1976 and released in November. He entered Beijing University in 1977. During the period of the Democracy Wall, he and his friends started a democratic magazine, THE SPRING OF BEIJING. In the 1980 election, he ran for

district people's deputy and lost to another candidate, Hu Ping [5170 1627] of the Beijing University. He is now a board member of the Beijing Institute of Social Economic Science.

Min Qi [7036 3823], chief editor of *The Political Handbook of China*. In 1976 he was a recent school graduate relocated to the countryside of Nei Monggol. He was visiting relatives in Beijing when he joined the assembly in Tiananmen Square. Later he returned to Nei Monggol. In 1979 he joined the staff of THE SPRING OF BEIJING as theoretical editor. After the Democracy Wall was banned, he joined the Chinese Academy of Social Sciences.

Zhang Xianyang [1728 7359 2254], researcher at the Institute of Marxist and Leninist Studies. In 1974 he began to study Mao Zedong's theory and the Cultural Revolution. After the Tiananmen Incident was redressed, he was the first to write a review of the Cultural Revolution. In 1976 he was a professor at Beijing University and a bystander during the assembly at Tiananmen. He was expelled from the Communist Party during the antiliberalization movement in 1987.

### The Four Climaxes of Democracy Movements in the Past 14 Years

Chen Ziming: Since the Tiananmen Incident in 1976 (the April 5th Incident), China has witnessed several large-scale mass movements. The first one is the April 5th Incident in which all people were involved. The second one is the Democracy Wall and the introduction of THE SPRING OF BEIJING in 1979 and the election of district people's deputies in 1980. The third is the nationwide student strikes between 18 September of 1985 and 1986 and 1987. The fourth one is this year's movement.

The success, failure, and meaning of each movement were determined by different social backgrounds (details will be in the second part of this article in the next issue—editor). This point can be summarized as follows:

In the first movement, the April 5th Incident, people did not recognize the reform.

In the second movement, people recognized the reform but were undecided as to whether or not the political structural reform should be carried out.

In the third movement, students and intellectuals basically agreed that it was necessary to carry out the political structural reform, but some economists, the public, and cadres still disagreed.

In the current movement, society as a whole has unanimously agreed that the political reform should be carried out simultaneously with or even faster than the economic reform. Except for a few senior statesmen, everyone, from Zhao Ziyang down, has raised the banner of political structural reform—in order to protect his political interests, if for nothing else.



However, a new social phenomenon has occurred in China: Serious polarization of society. Due to a huge gap between the rich and the poor, people are yearning again for egalitarianism.

### **The Line of the April 5th and Student Movements**

Wang Juntao: To assess the significance of an incident, we have to determine: 1) What the major problems were at the time of the incident. 2) What the conditions were for solving these problems. 3) How the movement contributed to solving the problems.

Comparing the four mass movements, I think that since the September 18th Incident in 1985, the movements have followed the same line, and the period from the Tiananmen Incident to the Democracy Wall and the election followed another line.

The Tiananmen Incident declared that the practice of the Communist Party of China in the past 30 years had failed and that China needed to make new choices and decide what road to take thereafter. The public held identical views when the announcement of failure was made at Tiananmen. But they began to disagree on what road to take by the time the Democracy Wall was up and the election was carried out. We should say that the ideological level represented by the Democracy Wall was the highest concerning the development of China. It proposed that we go back to the mainstream of civilization, but this force was too weak. At the time, most people accepted Deng Xiaoping's theory on limited reform and his "cat theory." Among them were people present at the ideological discussion meeting who suggested keeping the framework of the four basic principles and searching for a way out for China within the framework. Many people studying democracy movements in China have failed to notice that a series of ideas were raised during the period of the Democracy Wall and the election. It was true that there were many choices at the time. What was the new model after Mao Zedong's theories failed? Should they follow the theory of restoration? Should they "follow their senses" like Deng Xiaoping said? Should they go back to the mainstream of Western civilization as suggested by the Democracy Wall? Or should they support Hua Guofeng's moderate Mao Zedong Thought? In the end Deng Xiaoping won.

After these years of reform, practice has proved that the "cat theory" obviously does not work. The September 18th Incident of 1985 was the first sound of protest which gained certain momentum in the 1986. The central government was shocked by demonstrations carried out by over a hundred schools in more than 30 cities. By 1989, the "cat theory" had been thoroughly negated by the public.

But there are still two currents flowing in China: One is the middle class represented by intellectuals who hope to reenter the mainstream civilization; the other is prevalent among the broad masses of workers who hope to go back to the Mao Zedong era, which is more backward than the theory of restoration.

As of today, China's political practice has not surpassed the principles and ideas brought up during the period of the Democracy Wall. This year's student movement has actually failed to come up with any mature solution to China's many social problems. Of course, student quality varies. Strictly speaking, those who ran for election back then were not college students. They were students "with beard" who had studied China's issues for a long time in society and were experienced in political affairs.

### **Student Strike in 1989: Hope in Despair**

I think that the student strike in 1989 has three significances:

The first is that the student strike has created a new atmosphere and given people new hope. At a time when no one could find a way out and everyone despaired no matter what they advocated—democracy or new authority—the student strike broke the deadlock and brought people new hope. It has substantially compressed the political forbidden zone and enabled the ideological circle to discuss China's issues fairly and objectively. It has made some preparations for the development of other social forces. Judged from the organizational angle, it may generate a group of cadres.

The second significance is that it has put pressure on the government and forced the government to carry out internal reforms. The significance of a student strike is determined by how much the government is forced to transform itself. We think less of the student strike in 1986 because it did not yield good political results. Instead, it caused Hu Yaobang to step down, which was very regrettable. Now that everybody has given up hope, the government cannot be transformed unless there is a new political force. That is why people have changed the cautious attitude they used to have in the past.

There are two ways to urge government reform: First, we tell the government what the people are most unhappy about. No one dared to do so in the past. Students are the first to tell the government in powerful voices about the people's discontent, what kind of leaders they want, and what policies they wish. If the government is smart, it should carefully consider the political messages of the student strike.

Second, there is no denying that a group of people within the government is still trying to turn the declining situation around, but they are not motivated enough. The rise of the student strike has fueled reformers.

The third significance is that the student strike has enabled China to form a new political mechanism and helped the people get even with the government for the first time.

Chen: Most intellectuals are critical of what Yuan Mu [5913 2606] said about the government not being on an equal footing with students.

Wang: Yuan Mu explained to students about policies with a smiling face. Although those present were controlled representatives, some leaders of the student strike were actually received by the government, which is the first in the history of the CPC. There is still a long way from total equality, but it is a beginning.

Chen: Both sides have gone through some psychological changes. Students are more confident; the government has begun to concede.

#### **Pioneering Ideas Become the Understanding of the Whole People**

Wang: If there is any deficiency in this student movement, that is, compared with the past, its ideological level is not as high as the period of the Democracy Wall.

Chen: There have been not many speeches in this student movement because there is no need for speech. Students and citizens supporting them hold relatively identical views. That kind of understanding and sympathy are conveyed in silence. There is no need for students to educate the public. They can express themselves with slogans. If we call the proposals of the Democracy Wall "highbrow thinking," this student strike has turned highbrow thinking into popular understanding, and changed the 10-year old pioneering ideas into the common understanding of the whole people, which is of great practical significance.

The biggest problem now facing the government is the state of "no policy decision." We are not saying that it has made wrong policy decisions. We are saying that by the end of last year, it practically had no policy decision, and the central government had basically lost its initiative in leading the situation. Without this student movement, the government probably will not make any policy decision or establish any system in the next 2 to 3 years.

#### **Subsystems Under the State System Fight for Decisionmaking Power**

Min Qi: The public voluntarily participated in both the April 5th Incident and the May 4th Movement, so they were identical in nature. However, during the 10-year period between the April 5th Incident and the May 4th movement, we failed to find a legal way to get involved, which forced us to fight outside the system.

The difference is cultural. Nonviolent culture failed to occupy a leading position during the period between the April 5th Incident and 1986. The period of the April 5th Incident was still predominated by the ideas and methods of the class struggle in previous decades. During student strikes in 1985 and 1986, the attitude was still a kind of acute confrontation. But this time objective situation has caused drastic changes in culture. When the two sides reached a deadlock in an argument and felt that continuing the confrontation would get them nowhere, they would switch to an attitude of restraint. It

is very likely that such restraint may provide a new model for future participation.

During the period of the Democracy Wall, the public was also fighting for the legalization of its forces. In an effort to legally change the social structure, many civilian journals and the association of civilian journals were established during that period. Even today, students' associations were established in an effort to seek institutionalization. There has been no change in the nature of their efforts, but no result has been achieved as of today.

One big difference this time is that people have noticed how to seek the decisionmaking power of the subsystem of the state system, which is great progress. This is what the press is fighting for. Today, students have realized that under the current situation it is impossible for forces outside the system to quickly obtain legal status. So they use another method, through reelections or other methods, to gradually reform currently legalized systems such as students' associations and the association of middle-aged and young journalists to gain recognition for the status of the campaigners.

Wang: Historical conditions have changed. During the period of the Tiananmen Incident and the Democracy Wall, people wanted to overthrow Mao Zedong's influence, but they had to fight long and hard as to what new road to take. The framework brought up during the election suggested giving consideration to the people in political power and maintaining the Democracy Wall and civilian newspapers and journals. Min Qi wrote an article on freedom of publication, and Hu Ping wrote one on the freedom of speech and was going to write one on freedom of assembly. All this and the discussion of Two-Yuan, Three-Yuan, and Five-Yuan systems involved the basic principles of the whole country. After reviewing the Tiananmen Incident, people knew that two reasons had contributed to the era of Lin Biao and the gang of four: one was political autocracy and the other, ideological superstition. They believed that they should eliminate superstition through the movement of ideological liberation and change autocracy through democratization. Then, environment permitted them to suggest macroeconomic ideas for the country. But it is different in 1989. After 10 years of reform, Deng Xiaoping has already set up a framework—a general framework for everything from the party to the government. The current situation is how to carry out reform within this framework.

#### **Intellectuals Increase Political Effectiveness**

Min: The significance of this student strike can be analyzed from three aspects: structure, culture, and mechanism.

As far as structure is concerned, between 1979 and 1989 the trend was that people outside the system sought legalization, and the student strike in 1989 continued and developed such a trend. During the same period, organizations within the system, especially democratic parties, mass organizations, and mass media, also sought

decisionmaking power throughout the whole time. Since 1986, such endeavors within these subsystems have never stopped. The significance of the 1989 student strike lies in the promotion of structural changes. Judged from this point, the 1989 student strike far surpassed the April 5th Incident.

China's political structure is highly centralized. Under the control of the party, no political system and subsystem has any decisionmaking power. The whole country is like a monolithic bloc. Since 1979, people have tried in vain to break it. Today, this outward-pushing force has become stronger and stronger. Before it breaks through the ossified structure, this force has begun fermenting within itself. This is from the angle of structure.

As far as culture is concerned, a new kind of political culture has indeed occurred this time. It is completely different from the class struggle of the past. The April 5th Incident in 1976 actually failed. Later, the palace coup won the victory. The people's movement was suppressed. The April 27th Incident was a dramatic victory. For the first time in 10 years, the people forced the government to make a concession by relying on their unity and force. The government did not concede on its own or willingly. It was forced to do so. This victory is very helpful to increasing the political effectiveness and realizing the united power of citizens and intellectuals. Since 1957, intellectuals have been under constant attacks, never shown their power, and never gained such a victory.

The mechanism of political participation in the 1989 movement is more diversified as compared to the past. Further progress has been made regarding strategy. For instance, the petition movement is presently a very primitive means of communications. Participating in politics means nothing more than expressing one's opinions and gathering various resources to influence policy decisions to conform to their interests. The West has many channels to achieve the above purposes, but China for the time being does not. The channels of political participation are clogged, so Chinese can only adopt the distorted method of operating as an organization without a name.

#### **Stability and Democracy Are Unified**

Zhang Xianyang: The significance of this movement must not be underestimated. Through this student strike, both the government and the public have probably established several common understandings: First, everyone has come to realize that currently many problems exist in this country. Leaders are aware of the seriousness of the problems since they have caused this much protest. We used to talk about how serious the problems were, but we were just talking and we did not reach the depth of true understanding. After this movement, everyone is aware of the crisis.

Second, order, stability, and unity are unified. The previous belief was that stability could not coexist with

democracy. It is true that stability is a prerequisite. Nothing can be done without stability. But without the mechanism of democracy, it would be very difficult to eliminate the factors of instability. This time, we put the two together and admit that wanting stability does not mean getting rid of democracy. This understanding is very conducive to the sound development of future political life in this country.

Third, students have a sense of mission and responsibility, and the government also considers them as a force propelling the country forward. If this understanding is sincere, not false, it will be of great significance to future democratic developments in China.

#### **Official Attitude Remains the Same**

Zhang Xianyang: The fact that the government later corrected its initial erroneous judgment shows that party and state leaders have not eliminated the thinking of taking the class struggle as the key link which they have believed in for the past few decades. Whenever they see the masses rise to action, they always think that some bad guys are controlling the masses because they cannot be mobilized without bad guys. There is obviously a great contradiction. They admit that student movements are positive and that the mainstream agrees with the intention of the government. Can bad guys control such a good thing? If they can, should they be called bad guys? This notion that the masses are controlled by a few bad guys can be attributed to the influence of the thinking of taking class struggle as the key link and the traditional way of observing issues. This notion must be corrected. If this kind of thinking remains unchanged for a long period of time, there will be more and more bad judgments on major events. This is a very serious problem. I call for a profound change in the model of thinking of the government authorities in the cause of socialist modernization.

In addition, the notion that a few bad guys are in control also serves a purpose. It can create a momentum of public opinion, which is called the strategy of intimidation. At the same time, it also shows that the government's notion of the public does not conform to the proper attitude of Marxism. The masses of people have initiative. If you admit that the people are the masters of the country, you must admit this point. In fact, the authorities believe in the back of their minds that the masses of people constitute a force of inertia that cannot be mobilized unless controlled by others. Talking about control, I have to say something rude: Why can't you, the authorities, control the public, since you control all means of communications and organization?

Wang: There are two kinds of attitudes within the party: One is taking class struggle as the key link under which whoever opposes me must be counterrevolutionary and needs to be suppressed; the other does not consider mass movements as counterrevolutionary. They are only afraid that upheaval might disrupt the situation, so they hold up the four adherences to attack mass movements.

But as soon as movements are brought under control, they will forget about the four adherences.

Note: A student in the doctorate class at the Chinese People's University put up a big-character poster on campus, comparing how the authorities define through newspapers and magazines the April 5th Incident and

the April student strike in 1989. The words the government used are surprisingly identical, as if the two movements were of the same nature, despite the fact that the two movements may appear to be somewhat similar in the course of history, but are actually different in many respects. This also shows that the government is restricted by its set thinking pattern.

## NATIONAL AFFAIRS, POLICY

**Assessment of 10 Years of Enterprise Management**

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[Article by Yuan Baohua 5913 1405 5478, edited by Yang Wenyu 2799 2429 3768: "Changes and Developments in Enterprise Management During the Past 10 Years of Reform"]

[Text]

I

The past 10 years have been 10 years of reform and opening to the outside world and also 10 years in which deep changes have occurred in enterprise management in our country. Generally speaking, after 10 years of reform and opening to the outside world, enterprise management in our country is shaking off the shackles of the old structure under the conditions of the product economy and is gradually stepping on the road to socialist commodity economy.

The 3d Plenary Session of the 11th CPC Central Committee marked the historical turning point in the development of our country's economy. Since that time, the focal point of the party's work began to be shifted to the track of taking economic construction as the center. Under the guidance of a series of guidelines and policies on internal reform and external opening up to the outside world and enlivening the enterprises, and after a rather lengthy period of actual practice, the enterprises have been gradually converted from the closed type of economic organ characterized by the state's unified receipts and expenses and unified purchase and marketing to commodity producers and operators featuring autonomous operation, sole responsibility for their own profits and losses, and self-transformation and self-development. They have thus become economic entities of the opening-up type, and this has changed their enterprise management from being of the simple production type to the production operation type. The 10 years' reform and management are interlocked and complex in the process of development, but seen from their basic content, in general, two stages can be clearly distinguished:

The years 1979 to 1984 may be seen to form one of the stages. During this period, reform of the urban economic structure in our country was still in its pilot stage. We centralized our forces on grasping enterprise consolidation. On the basis of completion of the consolidation tasks in the nature of effecting a recovery, and based on the decision of CCP Central Committee and the State Council, beginning in 1982 consolidation of a constructive nature was pursued. The principal objective was to realize the "four modernizations" among the leadership teams and to set up an economic responsibility system, improve labor organizations, improve financial and economic discipline, strengthen basic work in enterprise management, and strengthen ideological and political

work so as to lay a good foundation for pushing the reform in an all-round way. Concurrently, on a nationwide scale, a series of pilot reforms were carried out that centered on expanding power and ceding interests. The state was delegating power and interest to the enterprise, that is, providing the enterprises with a definite autonomous power in operation, and allowing the enterprises to obtain a definite proportion of the profits. As far as the enterprises themselves were concerned, they enjoyed the benefits of power-delegating and ceding of interests, that is, under the conditions of not processing any autonomous power in operation, as was the case in the past, and not possessing any economic interests, they were converted into economic entities that have a definite degree of autonomous power in operation and a fixed proportion of the economic interests. This was a basic change in the character and status of our country's socialist enterprises. Seen from the development process of expanding power, the extended power prescribed in the State Council's documentations in 1979 constituted only a small portion, but, subsequently, there were gradual extensions, and up to April 1984, when the State Council promulgated the "provisional regulations governing further expansion of the decisionmaking power of state-run industrial enterprises," the powers became relatively full-fledged and included production operations, the marketing and pricing of products, selective purchasing of materials, use of capital funds, disposal of assets, establishment of organs, control of personnel and labor force, distribution of wages and awards, and carrying out joint operations. In all, there were 10 prescribed rights and benefits. Simultaneously, under the precondition of ensuring steady growth of the nation's financial revenues, the enterprises, by means of such forms as the retention of profits, contracting and keeping profits, set up their own funds for production development, collective welfare, and rewards and encouragement, all of which ensure, on the one hand, that the enterprises have a definite accumulation ability and development capacity and, on the other, that the staff members and workers will have material interests. When enterprises have fixed power and interests, they shoulder their own responsibilities—an internal economic responsibility system is established within the enterprise. This provides conditions for realizing the combination of responsibility, power, and interest in each and every post (function) and for arousing the activism of the extensive masses of staff members and workers.

The period from 1985 to the present may be considered to form another stage. As a result of implementing the "decision of the CCP Central Committee on reform of the economic structure," reform of the urban economic structure began to develop in an overall manner. Under the conditions of adequately readjusting and stabilizing the economic relations between the state and the enterprises, we turned to reforming the enterprises' operational mechanism. The enterprises gradually turned their eyes to the internal part, greatly improved their quality, and tapped their internal potentials. At the same time,

on the basis of continuing implementation of the promulgated policies and measures on expanding power and ceding interests, the operation form was reformed, the contracting system was universally pushed, small enterprises piloted the lease and rent system, and some enterprises became piloting points for the stock and share system. Simultaneously, the enterprise's internal coordination was pushed and the plant head (manager) responsibility system and tenure target responsibility system were enforced; the system of cadres' appointment by designation from above was changed into the system of cadres' appointment by invitation, and the selection of entrepreneurs was made through the process of submitting tenders; the labor system was reformed, the labor contract system was enforced, and localities and enterprises possessing the necessary conditions gradually improved labor organs; reform of the wage system carried out the linking of the gross volume of salaries and wages to economic benefits, effected liaison between the income of individual staff members and workers and their labor contributions, and enforced in many and various forms the principle of distribution according to work. In this stage, the operation and management of the enterprises were strengthened and improved, and greater attention was given to the work of modernizing management, with many piloting points being established on a nationwide scale. In the report of the 13th CPC National Congress, modern technology and modernized management were taken as the two supporting pillars of economic development. This has further enhanced people's understanding of the condition of our country being "backward in technology and even backward in management" and has gradually established the concept that these two wheels of technology and management must move in coordination. Through the development of various promotional activities, the enterprises began their endeavor to catch up with the most advanced level, both within the country and abroad. With the development and growth of our country's commodity, financial, and labor markets and the enforcement of various kinds of economic laws and regulations, such as the enterprise law and the bankruptcy law, enterprise management in our country has followed the track of legalization. It is particularly noteworthy that, with the further opening up to the outside world and development of the coastal economy, a number of enterprises in our country have entered and established a foothold in the international market, that products have demonstrated a definite competitiveness, and that some enterprises have even set up branch companies abroad. Meanwhile, the number of Sino-foreign jointly operated concerns and the number of enterprises run by foreign capital alone have gradually increased. This has effectively pushed forward the modernization of enterprise management in our country.

## II

The 10 years of reform have pushed the development of enterprise management in our country. Opening to the outside world has provided us with an opportunity to learn, study, and copy the advanced management experiences of foreign countries. Over the past 10 years,

enterprise management in our country has gone through deep-going changes, but the development has been rather unbalanced. At present, the enterprise management level in our country is of various grades. A portion of the advanced enterprises (mostly large and medium-sized enterprises and also a small number of small enterprises) have made notable changes, showing a rather rapid improvement. However, a considerable number of enterprises that have made certain changes are not stable enough; and a small number remain in a backward state. Looking at the more or less advanced level, development changes in the following ten aspects can obviously be seen.

—The ideology of enterprise management has shifted from the closed type suited to the product economy to the opening-up type suited to the socialist commodity economy. Enterprises in our country were a simplified production type and were for a long time under a highly centralized economic structure, their production plans were fixed by orders from the state, raw materials were supplied by the state, their products were subjected to unified purchases by the state, and they were nearly completely isolated from the market and served only as passive executors of the plan. At the end of the 1970's and the beginning of the 1980's, the readjustment of our country's economic structure and industrial structure made many enterprises experience a rather stern market test. Processing industries such as the machine-building industry and others were particularly deeply affected, many of their plans for "long-line" products were drastically reduced, and their production tasks were greatly compressed. The enterprises were then forced to turn their face toward the market to find a way to survive. Despite the fact that at that time many of the enterprises were still not aware of it, in reality this was the beginning of the conversion from the simple production type to the production operation type. Subsequently, following reform of the planning structure, the state's mandatory plans were greatly reduced and the proportion of guidance plans and market regulation increased, which facilitated the enterprises in enlarging their functions of operation and marketing. In particular, certain medium-sized and small enterprises were rapidly activated, because "small boats can easily reverse their course." This marked an important turning point in the history of enterprise management in our country. Using track-changing and type-changing as the juncture, enterprise management in our country has changed from the closed type to the open type, from the passively executing type to the initiatively developing type, and it no longer sells whatever is produced but fixes production on the basis of sales. The concepts of clients, the market, competition, and benefits have formed the principal body of the enterprise's ideology of operation. Changes have also been made in the enterprises' policymaking procedure. The procedure now calls for starting by investigating the market, predicting the market, knowing the market's demand, and then developing and producing by endless means marketable products, continuously improving the quality of the products, adding to the variety of the

products, and perfecting postsales services. Many enterprises have begun to attach great importance to formulating strategies for operations and studying ways and means to improve plant management. Moreover, certain externally oriented enterprises have effected liaison and exchanges of experience with various countries of the world in the sectors of economy, management, technology, trade, and culture, and in foreign advanced management theories. Methods and techniques have been propagated in large numbers and through digestion and absorption have greatly enriched and opened up operation and management ideas and the outlook of our country's enterprises.

—Enterprises' operational mechanism are no longer lifeless, but are heading in the direction of an enhanced vitality. Under the old structure, the system of "everybody eating from the same big pot" seriously curtailed the enthusiasm of an enterprise's staff members and workers. Since reform of the enterprises' operational form, the enterprises have universally carried out the contracted operation responsibility system. Some small enterprises have adopted the method of operation by leasing, and others have even tried out the stock and share system. With the addition of the reform of the enterprises' internal coordination and the steady growth of the market, the external conditions of the enterprises have gradually improved, and this has made it possible for the reform of enterprises' operational mechanism to develop considerably. By means of the reduction in state intervention, expansion of the enterprise's autonomous power, linking of the enterprises' operational results to the interests of staff members and workers, and arousing the activism and enthusiasm of both the staff members and workers and the enterprises, the enterprises' ability to operate autonomously, be solely responsible for their own profits and losses, make self-accumulations, and effect self-development have been greatly strengthened. Introducing the competitive mechanism and the mechanism of risk bearing into contracting and enforcing the practices of competitive bidding, jointly sharing the risks and mortgage contracting have injected new vitality into the enterprises' operational mechanism. In 1987 and 1988, when there were exceptionally disadvantageous external conditions, the large-scale pushing of the contracting system played an important role in enhancing enterprises' economic benefits and ensuring the steady growth of the country's financial revenues. The contracting system once more exhibited its powerful life force in the face of stern and rigid tests. In short, in our country's enterprises an operational mechanism with the special features of the motive force of interests and the pressure force of risks is being gradually formed.

—Enterprise leaders are being transformed from administrative officials into entrepreneurs. Under the traditional structure of our country, government was not separated from enterprise functions, the plant head (manager) received his appointment from an upper level, and his treatment differed in accordance with his administrative rank. The plant head (manager) lacked not only

the conditions for becoming an entrepreneur but also the motive power for such a transition. Experiences both in this country and abroad have shown that, in modern economic life, the entrepreneurial talents of daring to take risks and boldness in creating something new are the most valuable resources. Without the hundreds and thousands of socialist entrepreneurs playing the leading role in the economic theater, the planned commodity economy would lack the most effective organizers and managers. It is pleasing to note that since the deepening of the reform of the economic structure, our country is now in possession of a number of entrepreneurs who have shown their wares and demonstrated their talents. Their emergence and the role they are playing have won the esteem of all of society. Despite the fact that at the present moment only a small portion of plant heads (managers) are worthy of the title of entrepreneur, the transition of plant heads (managers) to entrepreneurs is already an irresistible trend.

—The leadership structure of enterprises was converted from party committee unitary leadership to the plant head responsibility system. The plant head responsibility system under the party committee's leadership played an important role in our country's economic development. But since development of the reform and opening to the outside world, the kind of system in which party and government are not separated, in which the party represents the government, in which responsibility and power are segregated and efficiency is lacking has become increasingly unsuited to the demands of the new situation. The definite establishment of this new enterprise leadership structure of the plant head responsibility system has solved this problem in a relatively satisfactory manner. Since enforcement of the plant head responsibility system, the plant head's central position in the enterprises has been definitely established. It strengthens the enterprise's unified leadership over production and operation, enhances the timeliness of decisionmaking and command, reduces shirking of responsibility and wrangling, increases work efficiency, and improves the party's leadership, liberating the party organs from administrative affairs and making them concentrate on building the party, grasping the ideological and political work and displaying and ensuring their supervisory role. At the same time, it strengthens the rights of the staff members and workers in democratic management, protects the legitimate rights and interests of staff members and workers, and combines the plant head's prestige with the wisdom of the staff members and workers. Upon its implementation, the enterprise law provides legitimate protection and the promotion of the normal running of the new enterprise leadership structure.

—The enterprise organization has been converted from unitary stature to pluralistic stature. For a prolonged period, the organizational structure of enterprises in our country has adhered to the system of unitary vertical functions. With the change in environment, growth, and development of the market, the enterprise has developed

in strategy. In order to enhance suitability and flexibility, many enterprises have undertaken reform of their organizational structure on the basis of their own actual conditions. Various kinds of systems have thus arisen, such as the direct line system, direct line functional system, and new matrix system, while some have developed into the business department system. Seen from the enterprises' organizational structure, for the sake of developing productive forces and increasing economic benefits, many enterprises have gradually developed from the simple form of being "large and comprehensive" or "small but comprehensive" to forming combination bodies and syndicates or groups. These evolutions denote that enterprises in our country have already acquired the power to select their own organizational form, which is a necessary condition for the breeding of enterprise vitality. The forming of Sino-foreign jointly financed enterprises and enterprises of solely foreign capital have further pushed conversion of the organizational stature of our enterprises to the pluralistic type.

—The major emphasis in management is shifting from materials to taking "personnel as the center" of modernized management. Competition in enterprises is, in the final analysis, manifested in competition among personnel. How to assemble, bring out, and make use of talent have become decisive factors for whether or not the enterprise can compete and win. The type of management that takes "personnel as the center" is most prominently manifested in the following: 1) Definitely establishing the management ideology of "taking personnel as the basis." Inviting talent, obtaining talent, and using talent with a free hand have become matters of common concern among managers. 2) The training of personnel has been given further attention. Through various means of training activities, many enterprises have, in an all-round manner, enhanced the culture and technical quality of staff members and workers as well as the management quality of the cadres; opened up the treasure cave of manpower resources; and improved the enterprise's ability to meet emergencies and to compete with others. 3) Ideological and political work on staff members and workers has begun to be improved and strengthened, has been changed in form and now stresses actual effects. Respecting people, showing concern for people, studying the laws governing people's actions, and improving forms of education have achieved good results in actual practice. 4) In reform of the internal coordination of enterprises, the reforms in personnel, labor, and distribution revolving around management with "man as the center" are being gradually deepened. Various kinds of scientific and modernized management systems and methods have been correspondingly set up, which has greatly increased the enthusiasm and efficiency in work of the staff members and workers.

—Quality control has been transformed from simple quality inspection into all-round quality control. Following the gradual introduction of the market mechanism and the gradual expansion of overall quality control, the quality understanding and concept of many

enterprises have been obviously strengthened, measures and methods of quality control have been improved, and training and education in quality control have been gradually universalized. A number of improved, small, quality control units and improved quality control enterprises have appeared, and in the country as a whole, a large number of products have reached international or advanced international level. The Seventh 5-Year Plan clearly called for taking quality improvement as one of the main points of attack in economic work. Many enterprises have further understood that quality is an important factor for survival and that quality implies an enterprise's responsibility to society. This has made the overall quality control work become more universal.

—Traditional types of management are becoming more scientific and modern. Modern management methods have passed through a procedure of learning and copying, subtle influence, spontaneous application, and organized expansion. Of the 18 kinds of modern management methods, some have produced good economic effects. The number of enterprises using computers has gradually increased, and many enterprises have trained specialized personnel and enhanced the level of enterprise management. The application of modern management methods and measures has greatly improved the management quality of the enterprises in our country. What is pleasing to note is that on the basis of learning and copying from advanced management experiences from abroad and summing up our own experiences, activities that combine with an enterprise's own realities and create new management methods are rising. There are some 20 kinds of them, such as the full-load working method and so forth. Among them, some belong to the category of comprehensive working methods, and others belong to the specialized working methods, each having its own special features and functions. The appearance of these methods has come about as the result of those who have boldly engaged in operation and management, probing and courageously creating something new, crystallizing the wisdom of staff members and workers.

—Strategic planning has been transformed from the simple completion of the state plan to being initiatively suited to the market demand. Under the old structure, the enterprises principally performed the functions of executing the plan; the products they manufactured were subjected to the state's organized placing of orders, allocation, and distribution; and the enterprise completely lacked any understanding of the market or any initiative or activism in meeting market demand, thus also lacking any notion of market competition. Therefore, if there were any changes in the planned tasks, they were frequently helpless and there was stockpiling of the finished products or an inability to market them. Following the deepening of reform, changes occurred in the planning structure and the sales and marketing structure, enterprise management changed from the simple executing type to the policymaking type and this greatly strengthened their functions of adapting to market changes. At the same time, market investigation and



forecasting work received universal recognition and attention and formulation and perfection of operation strategies became important topics in the daily agenda of the enterprises. Opening up of markets and the occupation and holding of markets became the enterprise managers' staunch wish and motivation for their acts. In particular, certain advanced enterprises have become oriented to the international market. They demonstrated great enthusiasm for seeking more exports and foreign exchange earnings. Truly, the reform has pushed the enterprises and entrepreneurs to the market and to the international competitive theater.

—Conversion of enterprise construction from simply stressing material civilization to the construction of two civilizations. Many enterprises have started from their own reality and gradually formed a standard of morals and behavior that takes the socialist value concept as the main body and is unanimously recognized from top to bottom and commonly observed. This has been advantageous in coordinating the various internal relations of the enterprise and also in displaying the creative spirit of the staff members and workers, thereby forming a united, progressive, harmonious, and advancing enterprise environment that plays an important role and has far-reaching influences on the reform and development of the enterprises.

### III

The principal experiences that we have accumulated in the 10 years of reform are the following:

First, actual practice must be guided by correct theories. In accordance with Marx's theory of the twofold character of management, concerning the social attribute character of management, we have paid attention to the full display of the superiority of the socialist system, the playing of the superior traditions of our country, and to stressing reform and creation; concerning the natural attribute character of management, we have boldly absorbed foreign advanced experiences and introduced all those good experiences for our use, absorbing and digesting them. Generally speaking, we have insisted on the guideline of "taking ourselves as the chief character, universally collecting the many talents, merging, condensing, and refining them, and forming from them a product of our own." Actual practice has shown that this yielded good results. We have also insisted firmly on the theory of the standard of productive forces. Through technological progress and modernized management, we have enabled the various essential factors for production in the enterprises to achieve the best combination and at the same time reformed those production relations incompatible with the development of the productive forces as well as the upper structure so as to create new productive forces of a higher grade. In short, the theory of the standard of productive forces clearly fixed further the development direction of enterprise management, transferred management to the track of taking enhancement of the economic benefits as the center and further established the concept of taking superior quality, low

consumption, safety, and high efficiency as enterprise management targets. This was a renovation and development of the enterprise management concept in our country.

The theory of the initial stage of socialism advanced by the party central committee and the theory on the establishment of a planned commodity economy with the public ownership system as the basis enabled us to further understand the special features of the initial stage of socialism; the importance of the development of the commodity economy removed the shackles of the ossified concept and traditional thought that for a long time had set planned economy and commodity economy at opposing ends, and it clearly determined the character and position of enterprises as socialist commodity producers and dealers. At the same time, they made us deeply understand that only through fully developing the commodity economy and competition could the enterprises be pushed to improve their efficiency, operate in a lively manner, and flexibly adapt to the complex and ever-changing social demand, all of which could hardly be accomplished by simple reliance on administrative measures and mandatory plans. Under the conditions of the public ownership system, enforcing the separation of ownership right and operation right is an important theory for guidance of the development of enterprise management. In the past, we mixed together state ownership and state operation and also mixed together the two functions of the government and the enterprise. The definite establishment of the theory of separating the two rights or powers has solved the problem of the relations of responsibility, power, and interest between the owners and the entrepreneurs, and between the state and the enterprise. It enabled the enterprises to autonomously do a good job in production and operation. Meanwhile, it is also beneficial to promoting conversion of government functions.

Second, it is necessary to note the character of continuity and the character of policy stability. In the 10 years of reform, we have successively formulated a series of policies and statutes that have played an important role in deepening enterprise reform, strengthening the vitality of enterprises, and enhancing economic benefits. But, because certain policies were unstable and non-transparent, this has given enterprise management undesirable influences. For example, since 1981 we have, by means of piloting points, pushed different forms of the contracted operation responsibility system. This was originally a workable and effective measure. But, after 1984 it was mainly interrupted, while in 1987 the contracting system was pushed anew. This kind of repetition and reversal of policy is not unavoidable. Naturally, because our country is still in the stage of transition from the old structure to the new, conditions are very complex, the market system is still not perfect, and economic statutes also are not perfect and hence readjustment of policies is normal. However, we should never overlook the necessity of correctly handling relationships between the state, the enterprise, and staff

members and workers. Nor should we overlook the need to arouse the enthusiasm of the enterprise and its staff members and workers, otherwise our job may be poorly done.

Third, it is necessary to watch closely the enterprise's internal management. To a large extent, enterprise management suffers from the restrictions and influences of macroeconomic policy and external environment. But in certain respects, management is not subjected to macroeconomic influences and this concerns mostly certain basic management work such as labor discipline and the "3-basic" work. Experiences have shown that only through grasping tightly and well the enterprise's internal basic-level work, can the enterprise's entire quality be elevated and thereby become more capable of standing and adapting to changes in objective conditions and at the same time adding to the enterprise's competitive power. Hence, an enterprise must devote its utmost efforts to internal management. Management at the grassroots level is basic in managing a plant. The plant can hardly be run well if it does not have a firm footing in this regard.

Fourth, it is necessary to insist on the public ownership system as the main body in enterprise reform. Enterprise reform requires the liberation of thought and carrying out of various sorts of testing, yet the ultimate purpose is not abolition of the public ownership system but its further perfection and development. Actual practice in the 10 years of reform have shown that a large number of large and medium-sized enterprises under the system of ownership by the whole people have been invigorated, but they did not find their way out from privatization. We are currently engaged in piloting the stock and share system, but its purpose is not to make the properties of the whole people become privatized. We allow the existence of private economy and this likewise cannot shake the foundation of the socialist public ownership system. Our mission is to find the effective form and way to put the strong points of the public ownership system into full play and to create social productive forces that are higher and more powerful than the private ownership system.

#### IV

Concurrently with fully asserting the successes and experiences of the 10 years of enterprise management, we must also clear-mindedly see that the problems before us are still many. We must definitely and firmly insist on and irrevocably push the reform and resolve the problems appearing on the way and guide our enterprises to advance toward higher objectives.

The main problems existing at present are the following:

Seen from the ideological viewpoint: Many enterprise leadership people have not yet really taken the strengthening of enterprise management as the fundamental measure in improving the quality of the enterprise and pushing enterprise development, and have not truly understood that modernized management is an important pillar in the building of socialist modernization.

they have frequently paid attention to technology and to the "hardware" and overlooked the role of management and the "software." This one-sided viewpoint must be rectified.

Viewed from the management standpoint: The problem of watching only material things and not persons has not been basically solved. The pivotal problem in modern enterprise management is how to effectively stir up the workers' enthusiasm and creativity. The workers' creativity and wisdom are the sources of an enterprise's vitality. Up to now a considerable number of enterprise leadership persons have overlooked this problem. Although some have an understanding of it, they lacked the know-how to carry it out. The management work of certain enterprises has not yielded good results, because the study of psychology and behavior of staff members and workers as well as arousing their enthusiasm has been overlooked.

Viewed from the foundation of management work: The management foundation work of many enterprises is weak, their standards are low, their way of measurement is inaccurate, and their intelligence and information are poor. As a result, the quality of their products is poor, while consumption of raw materials is high and the economic effects are low. Weak foundation work has become the biggest impediment to improving the entire quality of many enterprises and to the modernization of their management. Greater efforts should be made to solve this problem.

Seen from the enterprises' external environment: Frequent changes in the macroeconomic policy and in external conditions produce injurious effects on enterprise management. Regarding this problem, on the one hand, the enterprise managers should pay more attention to analyzing problems and to strengthening their initiative and adaptability; on the other hand, government departments should listen to the calls of the enterprises, try to understand the difficulties at the grassroots level and pay special attention to maintaining the solemnity of laws and statutes.

In the final analysis, the above-mentioned problems revealed in enterprise management work must be solved through reliance on deepening reform.

First, it is necessary to fully realize that the objective of economic structure reform is to establish an economic operational pattern which calls for the "state regulating the market and the market guiding the enterprise." We should strengthen market construction and push market development. The enterprise is the main body in market operation and the market is the place where enterprises carry out their operational activities. Without development of the enterprises, the market will not be established and cannot operate effectively. Without the market, we need not talk about enterprises and entrepreneurs of real significance. The authority of the market originates from its innate and autonomous selective mechanism and its competitive mechanism. These

mechanisms have enabled enterprise operation and management to become attached with extreme importance. They objectively demand that enterprise management work must be suited to market demands. But management work itself is not only passively suited to the market but must go through a series of highly creative activities to master the market, push the formation of market order, and perfect the market system. This is a responsibility which cannot be shirked by the enterprises. We should start from this elevated plane to strengthen enterprise management.

Second, in enterprise reform and strengthening of management, we should firmly insist on correctly handling relations between the three parties of the state, the enterprise, and the staff members and workers. We should pay attention to arousing the enthusiasm of the enterprise, and the staff members and workers, but state interest must be put at the top. As far as relations between the state and the enterprises are concerned, the state should follow the objective demands of planned commodity economy, further change its functions, reduce mandatory plans and administrative intervention, do a good job in service and supervision work, and resort to a thousand ways and means to guide and support enterprise development. On the enterprises' part, they should be concerned with the state's overall development, ensure the steady increase in the state's financial revenues, abide by the macroeconomic plan's regulation, observe the state's laws and regulations, accomplish the feats of paying taxes according to the regulations, operating according to law, behaving according to the proper track, and making utmost efforts to contribute more to the state, and at the same time ensure the enterprises' long-term development and increased stamina. Furthermore, from now on another important topic in enterprise reform and management is how to handle well relations between the enterprise and its staff members and workers, protect the legitimate interests of staff members and workers, protect their status as masters of the house, and make them truly love the enterprise as their own home and link together the enterprise's fortune to their own.

Third, seeking the amelioration of enterprise management in its entirety and all-round elevation of the enterprise's quality. The concept of the total amelioration of enterprise management is advocated by certain well-managed enterprises in their own actual practices. It follows the theory of systematic engineering, treats an enterprise as an entity, and during a stated time period and under stated conditions, for the sake of realizing the enterprise's targets, and through modernized management and from different angles and levels, accomplishes the best combination of the various essential elements of management to obtain the best effects. We should strive in this direction.

Enhancing the enterprise's quality is the prerequisite and the ensurance of total amelioration of enterprise management. Enterprise quality includes personnel quality, technology quality, and management quality. Of them,

the most important is personnel quality, that is, the quality of the plant head and of the staff members and workers. Concurrently with the building and making of socialist entrepreneurs, we must endeavor to improve the quality of all staff members and workers of an enterprise. Once this problem is grasped tightly and well, the other problems of the enterprise can be solved easily.

Fourth, strengthening the construction of the socialist spiritual civilization of the enterprise. This is a big and difficult task in modernized management. Under the conditions of a commodity economy, the enterprise should, on the one hand, be suited to the demands of market competition, produce good-quality products, satisfy social needs, and enhance the enterprise's economic benefits, and, on the other hand, should, through construction of spiritual civilization, nurture and train up professional morals, rectify and improve the enterprise's behavior, and weaken and transform certain irregular elements and their side effects currently existing in commodity exchange. A socialist enterprise should provide the most advantageous place and theater for staff members and workers to realize the purpose of life. One of the fundamental tasks of enterprise management work is to train up a generation of new-style workers who are willing to actively make contributions to society. We must stress ideals and morality; the idea of "all for money's sake" should never be the value concept of socialism. Whether the construction work of an enterprise's spiritual civilization is successful depends on how to guide the staff members and workers to make more contributions to society concurrently with obtaining their own material interests.

Fifth, continuing with the utmost efforts to implement and enforce the enterprise law. The "PRC enterprise law governing industries under the system of ownership by the whole people" examined and adopted at the 1st Plenary Session of the 7th NPC [National People's Congress] is a fundamental and big legislation which must be observed in the running of enterprises. It possesses an important significance in developing the socialist commodity economy, consolidating and facilitating enterprise reform, forming an enterprise system with special Chinese characteristics, and perfecting the socialist legal system. Separation of the two powers is the soul of the enterprise law. To thoroughly implement the enterprise law, it is necessary to change the enterprises' administrative subordinate relationship to the government and make the enterprise truly become a commodity producer and operator with decisionmaking power, solely responsible for its own profits and losses; it is also necessary to truly carry out the separation of government from enterprise functions, change and convert the government's functions, and ensure the enterprises' realization of their decisionmaking power so as to create good external conditions. To thoroughly implement the enterprise law, we must earnestly push and perfect the plant head responsibility system, protect the plant head's legitimate rights, and determinedly support the plant head's work. And to thoroughly implement the

enterprise law, we must also definitely protect the position of being the masters of the house of the extensive masses of staff members and workers as well as their right to take part in the enterprise's democratic management and fully arouse their enthusiasm and creativeness. At the same time, it is necessary to positively change the functions of the party committee in the enterprise and to put the committee's supervisory role into fuller play. In short, the enterprise law not only creates the conditions for ensuring the enterprise's behavior to follow the proper direction but also advocates new demands in enterprise management work. Implementation of the enterprise law is comprehensive reform related to the enterprises and one of our major tasks is to ensure the implementation of the enterprise law and, in the course of implementation, make enterprise management gradually proceed in the direction of standardization.

Sixth, firmly implementing the spirit of the 3d Plenary Session of the 13th CPC Central Committee, improving the economic environment, consolidating the economic order and all-round deepening of the reform. This is an extremely difficult task before us and also a stern and serious test facing all enterprises and entrepreneurs. Our enterprises must correctly handle the relationship among improvement, consolidation, and reform, initiatively become suited to the demands of the state's macroeconomic adjustment and control, devote the utmost efforts to enhance the economic benefits, improve the quality of products, lower consumption, and tap the potential of the enterprise. They should actively readjust the industrial and product structures, cut down fixed assets investments, and seek effective input, and should have regard for both the interests of the moment and long-term interests and strictly control the too-fast growth of the consumption funds. Our enterprises and entrepreneurs must build a high degree of social responsibility consciousness, and make joint efforts to create a good economic environment and establish a new order for the socialist commodity economy so as to further deepen the reform.

Seventh, in the course of further pushing enterprise reform and modernization of enterprise management, fully displaying the functions of enterprise federations and entrepreneurs federations. Over the past 10 years, the enterprise federation has firmly insisted on serving the enterprises and entrepreneurs and has done much work in such sectors as the training of enterprise cadres, providing information and advice, doing theoretical research, transmitting intelligence and information, engaging in international dialogue, publishing books and magazines, attending to matters of law, and organizing the entrepreneurs' activities. It has made solid contributions to pushing enterprise reform and management modernization, and in this respect it has performed well the functions of an intermediary organ between the government and the enterprises. Following the deepening of the reform and changes in the government functions, the missions of the enterprise federation and entrepreneur federation will be more important and

more tedious and difficult. Hence, we must devote efforts to strengthening the ideological construction and organizational construction of the enterprise federation system. We must pay attention to improving the political quality and business quality of the working personnel and strengthen their sense of responsibility and ability of work in their services to the enterprises and entrepreneurs. We must follow the principles of streamlining organizational structure, cutting down redundancy, cutting down the enterprise's burden, improving the quality and efficiency of work, smoothing out the internal relations of the enterprise federation, improving the form and method of work, actively completing the assigned tasks from the leadership, and, thus, winning the confidence and trust of both enterprise and entrepreneur. It is also necessary to put into full play the functions of the subordinate specialized research bodies and strengthen the lateral liaison with fraternal organizations and bodies. The federation should follow the relevant regulations of the central authorities and the State Council and, within the realm of the state policy and legal statutes, actively develop wisdom or intellectual services, increase the receipts from compensatory services, and gradually proceed in the direction of "autonomy, self-control and self-support." In short, the enterprise federation should, under the leadership of the party and the government, unite the extensive masses of actual workers in enterprise management, theoretical workers, and all other comrades warmly interested in enterprise reform and management to devote their efforts to stepping up the process of modernizing our country's enterprise management and realizing the four modernizations.

### **Structural Causes, Remedies for Economic Problems**

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[Article by Jin Ling 6855 0407, edited by Li Fei 2621 7236: "An Analysis of the Structural Causes of the Current Economic Problems"]

[Text] The current economic problems have been accumulating over many years and have deep-rooted structural causes. In order to fundamentally solve these problems, we must steadily deepen the reform in a well-led, orderly, resolute, and all-round way and gradually establish a new order for the commodity economy.

### **I. The Major Manifestations of the Current Economic Problems**

A. Bank credit is growing too rapidly and there is too much currency circulating in the market. In 1988, the net recovery of money in circulation was superseded by a net issue which far exceeded the state's control index for the whole year.

B. The extent of price hikes is too large. Since May 1988, the retail price index of commodities has been steadily

on the rise and indexes for various commodities and service fees have shown considerable increases.

C. Excessive economic growth has further aggravated the imbalance in the supply of raw and semifinished materials, energy, and transportation. In this connection, the three kinds of partially or wholly foreign-owned enterprises and township and small town enterprises are the major causes. With less raw and semifinished materials and energy available and with a smaller stock of supplies, the gap between total supply and total demand for capital goods is widening and relations between the various economic sectors have become strained.

D. The scale of investment is too large. In particular, capital construction not covered by the state plan is expanding too fast and the investment structure is not rational.

E. There is a drastic increase in the number of various types of companies in the sphere of circulation.

F. Contradictions arising from unfair distribution in society are becoming more and more acute.

These problems have become the major factors affecting social stability as well as the confidence of the masses in reform. If these problems are not solved, the deepening of the reform program and the long-term and stable growth of the economy will be affected, and the achievements of reform attained over the last decade will be jeopardized.

## II. The Causes of the Current Economic Problems

The current economic problems have arisen from a combination of complicated factors, the most important of which is the structural problem.

A. The new system of macroeconomic regulation and control has not yet taken shape, but the old system can no longer meet current needs. Since macroeconomic regulation and control are still confined primarily to projects within the state plan, the state budget, and the sector under ownership by the whole people, we have no control over total supply and total demand. In a situation where the pricing system is not rational and the market system is not well developed, we cannot distribute production factors in a rational way and must rely heavily on policy guidance. However, we do not have a clear-cut industrial policy to follow. In some spheres, where direct administrative control has been abandoned, loopholes and deficiencies in management have appeared because indirect control by economic, legal, and other means is still not fully effective.

B. The new order of commodity circulation has yet to be established, but the old order has already been destroyed. The reform of the commodity circulation structure has broken down monopoly operations and there has appeared a situation where there are many channels and many forms of operations. However, the relevant regulations have not yet been established and

the question of unified management of commercial activities in society as a whole has not been resolved. When price restrictions on most industrial consumer goods are lifted, factories and local governments alike will naturally wish to benefit from price hikes in respect to goods in short supply. Various types of companies, particularly those operated by the government, have begun to meddle in business operations by administrative means. With bureaucrats and individuals working hand in glove in profiteering, a price spiral has emerged.

The dual-track system in the pricing of capital goods provides conditions for profiteers to make money out of the price differences between planned sales and sales outside the plan. The juggling of items originally subject to planned sales to sales outside the plan, the marketing of products in excess of fixed production quotas by factories, and private arrangements between localities and enterprises for the exchange of goods and materials afford possibilities for all kinds of speculative reselling. These have resulted in irregular price hikes and chaos in the sphere of circulation.

C. The investment structure is basically the same old structure, which cannot impose effective restrictions on the government and enterprises. It is still possible to control investment in fixed assets covered by the state plan, but there are no corresponding methods for controlling the scale of investment outside the state plan. Because the lower levels have been handed only the power to examine and approve projects but not the corresponding responsibility, the degree of such power is actually manifested by the number of projects approved. In order to increase local revenue, local governments are actively authorizing establishment of small processing industries, which consume mainly local resources. They have gone so far as to rely on so-called "fishing" projects to rig up such processing industries. Even the so-called "funds raised by enterprises themselves" are actually loans sought from banks. The investors in these new projects are in fact the local governments. Moreover, since capital construction projects and technical renovations are managed separately, a capital construction project which has been withheld approval may still be launched as a technical renovation project. Thus, it is very difficult to control investment. After replacement of state appropriations by loans, the income tax rate has been set so high that enterprises find it impossible to make repayment with their aftertax profits. Subsequently they are allowed to make repayment out of their pretax profits. As a result, the constraining effects of loans are weakened. The investor in enterprises is still the state, although it is now the bank rather than the state that is receiving the funds being handed over. The greater the investment, the more beneficial it is for enterprises. Thus, there is a scramble to start new projects at every level.

D. The system of distribution is not rational and the mechanism for regulation of interests leaves much to be desired. The policy of distribution as a whole fails to reflect the difference between physical and mental labor,

and people's earnings do not correspond to their contributions to society. In particular, state-owned business companies are responsible only for profits, not for losses. Some of them rely on special privileges and monopoly to produce great profits, and the high income of their staff is not subject to the necessary regulation. Enterprises that perform poorly are vying for the same kind of bonuses and fringe benefits in cash and in kind as those offered by enterprises that perform well. As a result, the offering of high income to staff and workers is divorced from labor productivity. The fact that necessary regulatory measures are not taken with respect to the excessively high income of individual operators has also abetted the desire to seek exorbitant profits and inflicted losses on the state's financial departments.

From the above analysis, we can see that if we do not check and eliminate the drawbacks of the old system on the structural level and give full scope to functions of the new system, similar problems will be inevitable. Thus, we must integrate improvement of the economic environment and rectification of the economic order with the all-round intensification of reform.

### III. Suggestions on the All-round Intensification of Reform

A. We must intensify the reform of enterprises, achieve better economic results, and increase the supply of essential products.

Invigorating enterprises remains the central link in structural reform of the economy. However, this must be done with specific reference to different aspects of the economic structure in the course of deepening the reform, and attention must be paid to supporting reforms.

1. Enterprises must be pushed into the market and must be given management autonomy. Unless enterprises are gradually allowed to conduct production, supply, and marketing activities independent of administrative departments, there is no way that enterprises can enjoy management autonomy. The idea of running enterprises without higher level supervision essentially means pushing enterprises into the market. Enterprises that obtain their supply of raw and semifinished materials from the market and cater to market needs in product sales must be able to make their own business decisions. Enterprises that handle the allocation of products subject to mandatory plans must be ensured the necessary raw and semifinished materials and other necessary conditions and must not interfere with business activities outside their scope of product allocation. We must not, while emphasizing the importance of mandatory planning, indiscriminately extend the scope of such planning. Departments below the provincial level should not be allowed to hand down mandatory tasks. Enterprises that handle the supply of raw and semifinished materials in accordance with mandatory plans and that produce

goods vital to the national economy and the people's livelihood should be subject to the necessary price control measures.

2. In the reform of the enterprise mechanism, we must further explore ways and means to separate the right of operation from ownership rights. While continuing with our effort to improve the contract system, we should concentrate on effecting a change in property rights and develop constraint mechanisms. To end the situation where no one is actually responsible for state-owned assets, a state-owned asset administration should be established to manage state-owned assets on behalf of governments at various levels. Since enterprise operators are entrusted by the owners to run enterprises, they must be held responsible for the state-owned assets and should be assessed primarily by means of the effective increase in the value of these assets. This assessment index should also be used to impose the necessary constraints on the distribution and disposal of aftertax profits. The shareholding system should be actively promoted among large and medium-sized enterprises and joint-venture enterprises where conditions are ripe. Enterprises that are running at a loss over a long period due to poor management should be put up for public auction. Through the appropriate transfer of property under public ownership, it will be possible to clearly define property rights and develop constraint mechanisms.

3. We must combine efforts to readjust the product mix with efforts to optimize the structure of enterprises. In addition to management autonomy, another important factor determining whether an enterprise will have vitality is whether or not it is capable of producing marketable products. We should place in the lead big and medium-sized enterprises as well as manufacturers of marketable goods in short supply and should develop competitive associations of enterprises so as to increase the production of goods with a ready market and ensure the supply of essential products.

4. Within enterprises, we should carry out reform of the distribution and labor systems and promote supporting reforms in various other aspects. We should adopt a form of wage that links payment for labor to the performance of enterprises. The pegging index should not be restricted to profits and taxes handed over to the state. In light of the differing conditions of enterprises, other forms of pegging, such as realized profits and taxes, labor productivity, rate of return on investment, or comprehensive indexes, may also be adopted. Distribution to individual staff members and workers should also be pegged directly to economic indexes such as the quantity, quality, and unit-consumption of products, and adjusted upward or downward accordingly. Every effort should be made to put an end to the current tendency of purely going after output, and to bring people's enthusiasm onto the track of striving for better economic results.

B. We must speed up reform of the housing and social security systems, establish an individual income declaration and regulation system, and curb consumption expansion.

1. A system of income declaration should be introduced among individual operators. Income in excess of specific amounts must be taxed according to law and tax evaders should be punished heavily. The rational regulation of the income of these individual operators will help ameliorate contradictions arising from unfair distribution in society and from the vying for higher income. In addition, we should experiment with the system of requiring party and government functionaries to declare their assets and to submit audit reports on their assets before and after assumption of their respective posts. In this way, party and government functionaries will truly be placed under supervision of the masses and will be able to correctly exercise their functions and powers, serve the people, and guard against the corrosion of their cadre ranks by corrupt practices.

2. We should establish and improve upon a system of social security, gradually change the existing guarantees for employment into guarantees against unemployment, and create the necessary conditions for optimizing the labor organization of enterprises and reforming the labor and personnel systems. We should make overall plans to extend the pension scheme to cover all staff and workers of state-owned enterprises and establish a system of unemployment insurance. At the same time, we should also develop old-age, life, and other forms of insurance among collective enterprises, private enterprises, and individual operators in an effort to gradually establish a system of social security.

3. We should speed up the commercialization and privatization of housing and the reform of the rental system. Through these reforms, we can absorb the funds in the hands of residents, readjust the consumption structure, and ease the pressure on the consumer goods market.

C. We must deepen reform of the investment structure and curb investment expansion.

1. Departments responsible for economic activities must effect a change in their functions. Instead of engrossing themselves in the division of money and materials, they should strive to improve planning and management of their respective trades. The function of dividing money and materials should be exercised in a unified way by the departments in charge of comprehensive economic management, which should also be responsible for formulating plans for various trades, guiding the direction of investment, and ensuring that limited funds are spent on key projects.

2. We should clearly define the limits of investment by the central authorities and by the provinces, cities, and counties on the basis of the principle of the integration of business authority and financial authority. With the exception of infrastructure facilities, key enterprises, and key educational and public health projects that concern

the whole situation, all local projects should be undertaken by the localities with local funding. Governments at various levels should adhere to the principle of working within the limits of their resources and confine their scope of construction to what is within their economic capability.

3. We should give encouragement to investors of profit-seeking projects. This is a fundamental means for curbing the expansion of investment. Only when enterprises are held responsible for their own investment will they pay attention to returns on investment. We should introduce step by step the practice of requiring contracted enterprises to repay their loans after tax payment. When the new income tax rates are in force, all shareholding enterprises should be required to repay their loans after tax payment. We should encourage enterprises to make use of their own funds as well as idle funds in society to expand reproduction and allow enterprises to invest in other enterprises with their own funds so as to gradually enable enterprises to become investors in business projects.

D. We should improve the order of circulation, nurture a socialist market system, and establish a new market order.

1. We should investigate and clean up various types of companies. This forms an important part of the rectification of the economic order. Companies that do not measure up to necessary requirements and that are unnecessary should be abolished or merged with other companies. Those that can continue operation must do so in accordance with law and must pay tax according to regulations.

2. We should restructure the old patterns of circulation and establish new patterns and forms for the circulation of commodities. We should give full scope to the leading role of large state-owned commercial enterprises in the market, transfer the ownership of most of the small state-owned commercial outlets, and develop large wholesale merchandise and trading centers as well as futures markets for farm and sideline products in order to establish a commercial network that can effectively guide the market and conduct business with flexibility. We should also formulate reasonable regulations for wholesale businesses within the same city, stabilize relations between wholesale and retail enterprises, and strictly control the business orientation of retailers in order to maintain a flexible but orderly situation.

3. We should develop a socialist market system. We should establish and improve upon a labor market by developing the existing market which simply provides jobs for the jobless into a comprehensive, organized and well-led labor market which absorbs surplus personnel of enterprises, provides them with training and sends them to new posts, and which helps the unemployed find jobs. We should also further develop the capital market. On the basis of invigorating the pooling of short-term funds, we should also strive to develop a long-term capital



market. In particular, we should, in conjunction with the reform of the property rights system, open a secondary market for the transfer of shares, bonds, and other securities. In order to actively and steadily develop a capital goods market, we may consider abolishing the practice of selling building materials, like rolled steel for civilian use and cement, at cheap prices below the county level and sell them at market price instead. As for principal capital goods like rolled steel for production use, we should adopt a unified pricing system for sales both within and outside the state plan, but may offer discounts in light of specific situations. Principal capital goods in the agricultural sector should be placed under special control. As regards the supply of capital goods to large- and medium-sized urban enterprises, we should further reduce the scope of distribution according to mandatory plans and gradually abolish the practice of distribution on the basis of base figures. Instead, we should guarantee supply to key projects on a selective basis. Before the price reform for capital goods is carried out, we may adopt the same price for sales both within and outside the state plan, and strengthen management over the transaction of capital goods.

4. We should formulate market regulations. There must be regulations governing the activities of the commodity economy. We should strictly screen the qualifications of commodity operators and define the scope of their operations. The price of commodities sold on the market must be marked. A system of management should be instituted step by step over purchases and sales by retail enterprises so as to thwart attempts to hoard for speculation, dominate the market, conduct sales by coercive means, and sell fake and inferior products. We should strengthen the collection and management of levies on commodity transactions. Price management in the market should be strengthened. The prices of commodities that have been freed should be allowed to fluctuate in line with market conditions. For commodities subject to controlled pricing, approval must be sought from the higher authorities before price readjustments can be made; for commodities subject to guidance pricing, the state's relevant policies must be observed.

E. We should persevere in opening the country to the outside world, and strive for development in the course of retrenchment.

1. We should deepen the reform of the foreign trade structure and improve the system of contracted management. We should rectify the order of foreign trade operations, and encourage and support enterprises with the necessary conditions to conduct direct negotiation with foreign businessmen and to undertake to turn over specific amounts in foreign exchange earnings. We should regulate the interests of industrial and commercial enterprises and consolidate and develop integrated industrial-commercial complexes. While striving to increase exports, we should also increase in a limited way the import of a number of commodities in short supply in order to ensure the supply of essential products. We should change the practice whereby the state takes

responsibility for payment in foreign exchange of all imported materials and then sells them at cheap prices to the users. Instead, we should assign special departments to arrange the import of raw and subsidiary materials in a unified way and have the enterprises pay for these materials out of their own retained foreign exchange. We should make flexible use of foreign exchange and improve the system of using foreign exchange to regulate market transactions.

2. In the course of screening and rectification, we should reduce the excessive scale of capital construction at home. However, in line with the policy of opening the country to the outside world, we should continue to encourage foreign businessmen to come to China to set up the three kinds of partially or wholly foreign-owned enterprises and should rely on existing enterprises to develop compensation trade and processing with materials, samples or assembly parts and components provided by foreign clients.

F. We should strengthen and improve macroeconomic control and ensure a basic balance between total supply and total demand. In planning, we should leave sufficient leeway but should leave no gaps. We should speed up the formulation and preliminary implementation of an industrial policy and rationally readjust the industrial structure. We should strengthen statistical, analytical, and management work for achieving comprehensive balancing throughout the society in terms of finances, credit, goods and materials, and wages. In addition, we should strengthen the comprehensive use of economic levers at both the central and the provincial levels in regulating economic activities.

#### 'All-Staff Pledge' Contract System

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[Article by Zhang Qi 1728 3823, Shi Changfeng 4258 7022 7364, and Huang Bailiang 7806 4102 0357: "Contract System With an All-Staff Pledge"]

[Text] Since the enforcement of the enterprise contract system, it has been confronted with three outstanding problems: First, concurrently with putting the enthusiasm of operators into full play, the question of how to fully display the enthusiasm of the entire body of staff members and workers; second, facing the force of pressure from the contracted target and the risks involved in market competition, the question of how to convert the risks borne by the individual operator to risks commonly borne by the whole staff of the enterprise; and third, the question of how, through the contracted operation to make the enterprise gradually become a producer and operator which runs the enterprise autonomously and is solely responsible for its own profits and losses.

In the course of actual practice in the reform, the appearance of all-staff pledge contracting [quan yuan di ya cheng pao 0356 0765 2107 2131 2110 0545] has been beneficial in finding a solution for the above-mentioned



problems. All-staff pledge contracting establishes the principal position of the staff members and workers in the enterprise. It augments the encouragement mechanism which links together benefits and risks, envisages the common enjoyment of benefits and the joint bearing of risks, and strengthens the enterprise's ability to operate autonomously and being solely responsible for its own profits and losses. It absorbs the strong points of the contract system, lease and rental system and stock and share system, and creates benign conditions for a transition from the contract system to the shareholding system, and all in all is an effective form for deepening the reform in large and medium-sized enterprises under the system of ownership by the whole people.

### **I. Basic Method of Procedure of the All-Staff Pledge Contract System**

A. In the leadership system, an all-staff pledge contracting enterprise practices the plant-head (manager) responsibility system under the system of the plant committee.

The representatives conference of the staff members and workers (representative conferences of all-staff contractors) is the enterprise's organ of highest authority. In their status as masters of the house, the entire body of staff members and workers, through the staff members' representatives congress bear the responsibilities and obligations of enterprises owned by the whole people, exercise the democratic power of running and managing the enterprise which mainly consists of the following: discussing and deciding on important strategic problems relating to the contract agreement, operation guideline, long-term planning, yearly planning, important technical transformation projects, distribution program of benefits and important regulations and systems, and democratically electing the constituent members and chairman of the plant committee, and also the plant head. When the staff members' representatives congress is not in session, the plant committee is the authoritative organ responsible for making the enterprise's important decisions. Entrusted by both the enterprise's staff members and workers and the state, the plant committee executes, and supervises the execution of the decisions of the staff representatives congress, and makes decision on the big and important problems of the enterprise. The plant head as the representative of the enterprise's legal person, is responsible for carrying out the policies of the representatives congress and of the plant committee, and is all-round responsible for, and takes unified command over, the enterprise's daily production and operation activities as well as the construct of spiritual civilization. By so doing, the status of the entire staff of the enterprise as masters of the house protected while the socialist character and direction of the enterprise is firmly maintained. At the same time, the plant head's decision-making and commanding role in production and operation stands out prominently, which suits the objective demands of socialized large-scale production. An all-staff pledge contracted enterprise may continue the enforcement of the plant head responsibility system, but

seen from the development trend of enterprise reform, the plant head (manager responsibility system under the leadership of the plant committee is more easily succeeded by the system of the board of directors under the shareholding system.

B. In operation and management, operation with risk-bearing by the mass body is enforced.

1. Reducing the size of the accounting unit, and building operation entities which have many levels and are pluralistic in nature. Reducing the size of the accounting unit and establishing a banking structure inside the plant are the basis and prerequisites for developing mass-body operations. Based on the enterprise's special features, inside the enterprise, the branch plants, workshops, teams and relatively independent departments are organized into operation small mass-bodies and even in the case of individuals possessing the necessary qualifications, are whenever possible changed into operation entities which "are autonomously run, handle independent accounting, and are solely responsible for their own profits and losses." At the same time, plant's internal banks are established and measures like commodity exchange, application of the law of value, contractual structure, and internal credits and loans are enforced in carrying out the management of the various operation entities strictly in accordance with the principles of the commodity economy. Market news and price changes are rapidly circulated inside the enterprise to heighten the enterprise's ability to meet emergencies. Under the precondition of unified command over the entire plant's production and operational activities, the various operational entities make their own efforts to fill any insufficiency in their tasks, do their own calculation of the high or low cost of production, and are solely responsible for their own profits and losses. This facilitates the augmentation of the understanding of the operations on the part of each and every level, and is staged internally in the enterprise. It makes everybody concerned with, and participate in, the operations as well as pay due attention to the economic benefits.

2. Perfecting the contract structure, and introducing the risk-bearing mechanism. Inside the enterprise, the contract structure is being continuously perfected and a system of staff-risk pledge funds is established; the risk pledge extends to wherever the contracting covers; internal contracting is used to protect external contracting, dynamic pledge to replace static pledge and post pledge to protect unit pledge. By so doing, all-staff pledge contracting procures a firm foundation and definite assurances.

3. Democratizing operation and management, and making operation contents pluralistic. Democratization of operation and management is an objective demand in the manifestation of the nature of all-staff pledge contracting and displaying of the strong points of the contracting. By means of the reform of the leadership system and policy-making system, improving the democratic

management system and the democratic cadres assessment system, and extensively developing rationalized proposals and flexible and pluralistic forms of management, can in system and operation protect the status of all the staff members and workers as masters of the house, and display the enthusiasm, wisdom and creative power of the entire staff. In production operation, the practice of adhering to one industry or trade as the main line but engaging in various forms of operations can enable the various operational entities and the individual staff member or worker to develop new production and operation areas, to accept processing jobs and technical enquiries from the outside, to undertake the plant's import and export of labor services, and to start tertiary industry such as commerce and the service trade; in the case of the workshops they may jointly operate plants with the outside or engage in sino-foreign joint-vested and cooperative ventures.

C. In the distribution system, formation of the system of staff risk-bearing pledge funds.

1. Determination of the amount of the pledge fund. First, the government fixes different grades of the gross amount of the enterprises' pledge funds, with due consideration of the precondition of the ability to bear on the part of the entire body of staff members and workers, and in accordance with the size of the net value of the enterprise's fixed assets. Second, the individual's pledge fund may be determined according to the "coefficient method" or the "grading method." The "coefficient method" calls for payment of the pledge fund according to the responsibility coefficient. The base figure of the pledge fund is generally from 200 to 500 yuan. The computation formula for the pledge fund is the pledge fund the individual should pay equals pledge fund base figure, multiplies the individual's responsibility coefficient. The responsibility coefficient of a worker is 1 and the plant head's responsibility coefficient is usually 5. The "grading system or method" is based on the post responsibility and the size of the risk to directly determine the amount of the pledge fund to be paid by the various categories of personnel in the enterprise.

2. Profit dividend on pledge funds. Since the pledge funds from the all-staff pledge contracting are employed as the enterprise's circulating funds and take part in the operations of the enterprise's assets, they are equivalent to the individual stock and share funds of the staff members and workers in a stock and share system, and are entitled to interest and profit earnings (or only profit earnings and no interest payment). After an enterprise has paid the taxes and other levies according to the regulations (delivery of profits, energy and communications funds, and so forth), it sets aside the profit dividend funds and divides the balance, according to the fixed ratio prescribed in the contracting agreement, into production development funds, welfare funds and awards, and encouragement funds; or, the parties to the agreement may fix according to law the distribution ratios of the four kinds of funds. Determination of interest payment and profit dividend on the pledge funds

(the staff members' individual shares) is made according to the relevant regulations of the local governments' provisional measures of the stock and share system and the ratio occupied by the sum total of the interest payment and profit dividend in the pledge fund cannot exceed the regulations. The balance portion of the profit dividend funds is treated as value-increment of the pledge fund and is entitled to interest payment and profit dividend in the forthcoming year. The interest payment and profit dividend on the pledge funds received by the staff members and workers are not computed into the gross amount of the enterprise's award funds, are not subjected to payment of the award tax but, according to law, are subjected to payment of the individual's income regulation tax.

3. Supplement role of pledge funds. In the event an enterprise cannot pay up in full the profit delivery stipulated in the contracting agreement, the enterprise's profit retention for the current year should be used to make it up; if his still insufficient, the further portion should be paid out proportionately from the enterprise's self-owned funds, and the pledge funds of the staff members and workers.

4. Enterprise's internal pledging form. Based on the actual conditions of the enterprise, various pledging forms may be adopted. The basic principles are: level by level contracting; level by level pledge; responsibility, power and interest tightly interwoven while benefits and risks are about equal; combination of unit pledge and post pledge, and likewise combination of static pledge and dynamic pledge.

## II. Principal Special Features of All-Staff Pledge Contracting

A. Truly fixing the position of the entire staff as masters of the house in the enterprise. All-staff pledge contracting establishes that the workers of an enterprise collectively have the legal person's ownership right of the state's assets. Internally in a state-owned enterprise it forms a dual ownership right structure of the state assets, namely, the state's end ownership right and the enterprise legal person's ownership right. Furthermore, through further recognizing that an enterprise's assets are collectively owned by the workers and individually owned through the staff members and workers investing in the shares, a pluralistic type of structure of the ownership right system is formed. On the one hand, it realizes the direct combination between the producer and the means of production; and on the other hand, it forms the merging of the assets of the state, the enterprise, and the staff members and workers and a fortune common entity which shares weal and woe. As for the entire body of staff members and workers, they are the contractors in the guise of united personages of the worker and entrepreneurs, and also the indirect and direct owners of the means of production. This transforms the extensive masses of staff members and workers from being in the past owners in abstract form politically and morally, to being concrete, outright and

true masters possessing economic relations in the essential sense. This basically enhances the degree of concern on the part of the entire staff members and workers with the enterprise's profits and losses in assets and value increment in assets, increases the operational understanding of the entire colony of staff members and workers, and their urgent motive of striving for profits and enables the enterprise to maintain its thriving vitality.

B. Strengthening the mechanism which stimulates the unification of benefit with risk-taking. The key to reinforcing an enterprise's vitality lies in perfecting the enterprise's benefit mechanism and closely uniting the interests of the state, the collective and the individual. Enforcement of contracting by the plant head or entrepreneurs' group strengthens the interest mechanism between the plant head or the entrepreneurs group and the state; but the union of the staff members' and workers' interests with those of the enterprise and the state carry an indirect nature, it being realized through this intermediary link of the contractor, the liaison being not close or intimate enough and thus resulting in the weakening of the degree of concern of the extensive masses of staff members and workers with the enterprise and easily causing a trend of the staff noting only the interests of the moment and overlooking the interests of the entity as a whole and the long-term interest. The all-staff pledge contracting directly links the individual interests of the staff members and workers with the interests of the state, makes the responsibilities of the staff members and workers no longer abstract and not thoroughgoing, and also makes the individual's interests no longer unclear or confusing. This sort of clear-cut, deep-going, direct, and strong stimulating role drives the staff members and workers to closely link together the individual's interests with the enterprise's operational results and makes it possible to fully tap the enormous potentialities hidden in the vast number of staff members and workers.

Actual practice has shown that all-staff pledge contracting introduces the risk mechanism and inside the enterprises builds up a risk-bearing main body at various levels and of a pluralistic type, transfers the stimulating and encouraging mechanism which unites interests and risks to each and every post and each and every staff member and worker inside the enterprise, and makes each and every staff member and worker feel the pressure of the risks on his or her own interests, the post risks and the employment risks, feel also the risks confronting the enterprise's interests and the possibilities of its being amalgamated or even going into bankruptcy, thus forming an enormous internal cohesive force, transforming the risk pressure into a powerful motive force, and stimulating the enterprise and the staff members and workers to strive upward. These are the risk effects not possessed by other contracting forms.

C. Building a self-restrictive mechanism enabling slanting of the distribution of the enterprise's self-retained profits from consumption-wise to accumulation-wise. Through setting up the system of separating

the accounts of funds and of the all-staff pledge funds, the all-staff pledge contracting initially constructs a self-restrictive mechanism for the enterprise. According to the profit-retention form in the separation of accounts for funds, the amount of the enterprise funds can make the enterprise retain a larger portion of the profits. This links the amount of the enterprise's profit-retention not only with the economic benefits but also with the size, large or small, of the funds of the enterprise. The motive of earning more benefits drives the enterprise to become willing to use the profit-retentions on developing production to earn even more profits. This thereby forms a benign cycle of accumulation first, consumption afterwards and rise of the consumption level in pace with the rise in accumulation. The system of the staff pledge funds likewise possesses this mechanism of a self-restriction benign cycle. Thus, the staff members and workers pledge funds on the one hand possesses the function of supplementing or compensating the insufficiency in profit deliveries or even losses, and on the other hand has the function of being used in developing production and participating in profit-dividends in the capacity of share funds held by individuals. The size of the profit dividends is linked not only with the economic benefits but also with the share funds (pledge funds, same below). In spite of the regulation that the total sum of share interest and profit dividend cannot exceed a given percentage of the share funds, yet the remaining portion of the profit dividend fund can still be treated as value-increment of the share funds to participate in profit dividend in the coming year and thus earn more dividends. Generally speaking, share dividends (share interest plus profit dividend) are higher than the interest rates given by the banks to the residents' savings deposits, and, besides, there is the additional factor of the shares in the role of the wealth of the individual still able to earn value increment. Comparative interests thus make the staff members and workers willing to invest their consumption funds on hand in the pledge funds to further develop production and earn even more benefits. In the piloting stage to-date of the shareholding system, enforcement of the staff members and workers pledge fund system which can be readily developed and calls for simple procedures opens up a new road to transforming consumption funds into production funds. Seen micro-economically, due to the staff members and workers strengthening the degree of their concern with the assets, the use of the enterprise's circulating funds and technical transformation tends to become careful, rational, scientific and beneficial to speeding up the circulation of funds and enhancing investment benefits, as well as beneficial to restricting the enterprise's short-term behavior and increasing the enterprise's stamina. Macroeconomically speaking, batch after batch of considerable amounts of consumption funds, in the form of pledge funds and share funds, being continuously converted into production funds, will surely ease the contradictions caused by our country's insufficiency in production construction funds, inflation in consumption funds and rise in commodity prices and is beneficial to balancing general gross supply and gross demand.

D. Strengthening the mechanism of the enterprise being solely responsible for its own profits and losses. Over the recent several years, in respect of enterprises under the system of ownership by the whole people we have laid more stress on delegating power, ceding interests and autonomous operation than on the enterprise being solely responsible for its own profits and losses. The target of enterprise reform is to convert the enterprise into a commodity producer and entrepreneur who runs the concern autonomously and is solely responsible for its own profits and losses. If, in running to and fro, the target of being solely responsible for one's own profits and losses can still not be reached, then the contracting is not a success. Perfecting the nucleus of the contract system is to develop in the direction of being solely responsible for one's own profits and losses. Enforcing the system of separation of accounts in funds enables the enterprise to take a large step forward in the direction of being solely responsible for profits and losses. Enforcing the all-staff pledge contract system enables the enterprise to take another large step forward in the same direction. In the case of the large and medium-sized enterprises owned by the whole people, they have huge fixed assets and incur enormous profits and losses, when the plant head or an entrepreneur group takes up the contracting, the amount of the pledge fund may be too heavy and the loss, if any, may be too large to bear. Hence, enforcement of the all-staff pledge contracting can enable the enterprise to possess a definite ability to bear the losses. It can then part from the government's "fatherly love," and plunge into the market turmoil to fight out its own existence.

E. Nurturing the sprouting of the transition from the contract system to the shareholding system. Enforcing all-staff pledge contracting and gradually pushing the shareholding system can go together and do not conflict with each other. In a certain sense, and under actual conditions, all-staff pledge contracting is the lead and medicine to hasten child delivery in the transition to the shareholding system and in all staff pledge contracting, sprouting of the seeds of the shareholding system has already begun. For example, in the system of division of accounts in respect of funds, the enterprise's funds possess the character of collective ownership by the workers of the enterprise. In reality, this is a demarcation of the ownership right of the increased portion of the enterprise's assets and is an important link for the transition of the contract system to the shareholding system. Some localities have already engaged in probing into the demarcation of the ownership right of assets of the enterprise. After the staff pledge funds are used as part of the enterprise's circulating funds, they are in effect in joint use and operation along with the enterprise's assets and carry the nature of cooperating with the ownership right of stocks and shares. The plant head responsibility system under the leadership of the plant committee which fits in with all-staff pledge contracting has a somewhat similar character to the enterprise leadership structure under the stock and share system. The basic functions, personnel composition, scope and extent

of policy-making of the plant committee are somewhat similar to those of the board of directors of the stock and share system. Following the gradual smoothing out of the property relationships of the enterprises and the strengthening of the enterprises' vitality, and following the gradual perfection of the external conditions such as separation of the state's administrative and management functions from the functions of the owners of state-owned assets, the formation of a state-owned assets management system, the divided flow of taxes and profits, tax reform, price reform, and so forth, all-staff pledge contracting may at an appropriate time effect transition to the shareholding system.

In short, all-staff pledge contracting possesses a rather large systematic containment. It has a strong character of adaptability, is simple in procedure, and can be readily developed. Its character of containment is good; it can be readily cultivated and possesses the function of "helping the growth of a new structure with due consideration of the old structure." Its character of friction is small and with the speedy transformation from the old structure to the new structure, it can smoothly, readily, safely and naturally effect transition to the stock and share system. A workable logical line of thought on deepening the form for the ordinary run of large and medium enterprises owned by the whole people is as follows: ordinary contract system—contract system under the all-staff pledge system—contract shareholding system—shareholding system.

#### Statistics Information Office Opens in Beijing

OW1808150789 Beijing XINHUA in English  
1125 GMT 18 Aug 89

[Text] Beijing, August 18 (XINHUA)—A statistical information office, the first of its kind in the country, officially opened here today to provide free services for both Chinese and foreigners.

Open 5 days a week, the office is run by the China Statistical Information and Consultancy Service Center.

General Manager Xiang Zhongde said that customers may have access to all statistics about China's economy, social development, and science and technology since the founding of the PRC in 1949.

He said the information available is in the form of national and regional year-books, statistical surveys, urban and rural statistics, industrial and foreign trade statistics, and population figures.

The office can also provide special service by collecting, processing, and analysing data for customers for a fee.

It can also conduct marketing and investment surveys, as well as doing feasibility studies and consultancy, he added.

In the past 4 years, the center has offered services in a private capacity to both Chinese and foreign customers in over 20 countries and regions.

## PROVINCIAL

**Guangdong Faces Array of Economic Problems***HK0308072389 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 2 Aug 89*

[Text] Speaking at a provincial financial and taxation work conference this morning, Vice Governor Yu Fei pointed out that the province's economic work would encounter an array of problems in the second half of the year and financial and taxation departments, at various levels should seriously study and implement the spirit of the speeches by Comrade Deng Xiaoping and the 4th Plenary Session of the 13th CPC Central Committee, continue to implement the financial policy of curtailing outlays, and make efforts to simultaneously increase revenue and cut down expenses.

Referring to this year's financial work of our province, Yu Fei said: First, we must have a stronger sense of taking the overall interests into consideration and resolutely carry out the measures adopted by the central authorities in an effort to overcome financial difficulties. Meanwhile, we must guarantee fulfillment of all tasks assigned to our province by the central government, such as the quotas for state treasury bonds, special government loans, value-preserved public bonds and taxes, and the quotas' excessive revenue. Second, all local governments should act according to their capability in finance and keep expenditures within the limits of income so as to ensure a balance of income and outlay at all levels and must not practice any deficit budgeting. Third, we must insist on working hard under difficult conditions and combating extravagance and waste and foster an idea of leading a plain life for several years. Fourth, it is necessary to control increases in the consumption fund and not to issue excessive allowances in cash or in kind.

The vice governor also stressed the importance of strengthening the work of collecting taxes according to law.

**Inner Mongolian Overall Economic Situation 'Good'***OW1008214189 Beijing XINHUA in English 1329 GMT 10 Aug 89*

[Text] Hohhot, August 10 (XINHUA)—The overall economic situation in Inner Mongolia Autonomous Region is good, but problems still exist and restrict the development of production, said a senior official here today.

Animal husbandry, the traditional industry of the region, made great strides this year, according to Liu Zhuhui, vice chairman of north China's Inner Mongolia Autonomous Region.

The 1989 yearly animal husbandry statistics showed that by the end of June the number of livestock in the region stood at 47.5 million head, 5.49 million, or 13 percent, more than in the same period of 1988.

Xilin Golleague (prefecture) in the northeastern part of the region now has more than 10 million head of livestock. The number of banners (counties) that own more than one million head of livestock also climbed from last year's eight to this year's 17, the vice chairman said.

Bjyannur League—also called the Hetao Area (at the top of the great bend of the Yellow River)—in the western part of the region is known as a commodity grain base for the country. Agricultural departments concerned estimated that the grain output of the league will top 233 million kilograms this year, up 7 percent compared with last year, said Liu.

He added that self-sufficiency in grain is the near-future aim of the region in the coming years. As a result of the investment in agriculture by the regional government, the sown grain area of the region totalled 3.65 million hectares this year, 18,000 hectares more than last year, despite the severe spring drought.

The sown area of wheat increased by 40,000 hectares compared with last year, and that of rice, 21,700 hectares, according to Liu.

As an energy and raw material base, he said, the region's gross value of industrial output totalled 6.6 billion yuan by the end of June, up 11 percent compared with the same period of 1988.

The region also turned over 770 million yuan in profits to the state in the January to June period, registering an 11 percent increase over the same 1988 period, Liu said.

In the first six months of this year the retail sales volume of goods in the autonomous region amounted to 6.72 billion yuan, an increase of 18.3 percent over the same period of last year. The region also earned 176 million U.S. dollars in foreign trade, a 1.6 percent increase over the corresponding period of last year.

In addition, the supply of grain, edible oil, meat, vegetables and other daily necessities is sufficient, said Liu.

He pointed out finally that the overall economic situation in the autonomous region is good. However, many problems, including lack of funds, energy, and raw materials and overburdened transportation, restricted the development of production of the region.

**Liaoning Semi-Annual Economic Statistics***SK2308051389 Shenyang LIAONING RIBAO in Chinese 20 Jul 89 p 1*

[Text] Economic development was in good shape, but the situation we faced was still grim. This was the analysis of the province's economic situation in the first half of this year given by Zhang Benbo, spokesman of the provincial statistical bureau, at its news briefing held on 18 July.

Zhang Benbo said, "In the first half of this year, our province's industrial production showed a stable growth, the situation in agricultural production was fairly good, some results were achieved in reducing the investment in fixed assets, price increases slowed down, commodities were sold in a stable manner in markets, foreign trade continued to grow, and the financial and monetary situation was also improved. However, our province still faced many difficulties and contradictions in the economy and, moreover, old and new contradictions intertwined, affecting the stable economic growth. The external environment for production became more strained, and difficulties increased. Contradictions in the industrial structure remained rather conspicuous, and economic results were not good. Demands for consumption remained excessive, the target to make price increase notably lower than last year's remained very difficult to attain, and the contradiction between supply and demand remained conspicuous. These difficulties and contradictions should be gradually overcome and resolved through further deepening of enterprise reform, effective efforts in the campaign to increase production, practice economy, increase revenues and reduce expenditures, and implementation of the policies on adjusting the industrial structure and product mix.

"In the first half of this year, the general production situation of the province was better than expected at the beginning of the year, with the industrial output value totaling 53.4 billion yuan, an 8-percent increase over the corresponding period last year. Light industry maintained a fairly rapid growth rate of 8.1 percent, and the production of some daily necessities for the people, high-grade consumer durables, and products readily marketable in markets showed new increases. The production of some energy resources, raw materials and products in support of agriculture was improved and picked up. The output of raw coal and crude oil rose by 5.3 and 3.3 percent, respectively; that of wire rod, steel plate and silicon steel sheet 14.0, 14.1 and 25.5 percent, respectively; that of chemical pesticides 36.2 percent; and that of chemical fertilizer 2.7 percent. However, the imbalance between the slow growth of state-owned industrial units and the rapid growth of other industrial units was not changed, and slow growth or negative growth appeared in energy and raw material industries. The profits and taxes of the state-owned industrial enterprises covered by local budget throughout the province dropped by 0.1 percent from the corresponding period last year, of which profits dropped by 21.4 percent. The deficits of money-losing enterprises reached 460 million yuan, 1.7 times greater than in the corresponding period last year. Compared with the corresponding period last year, power output declined by 0.6 percent, and ferrous metal smelting and mangling industry by 3 percent. The output of major raw materials, such as pig iron, rolled steel, sulphuric acid, caustic soda, toluene, and soda ash, also declined from the corresponding period last year. The growth rates of the collective and township-run industrial enterprises, which created poor economic results and lacked the ability to

increase the supply of essential products, showed some decreases but were still rather great, with the former increasing by 9.9 percent, and the latter 11 percent.

"In the first half of this year, our province increased investment in agriculture. Local financial departments' expenditures on agriculture rose by 45.5 percent over the corresponding period last year, and the remaining sum of agricultural loans at the end of June was 14.91 percent more than that at the beginning of the year. Total volume of the means of production purchased by peasants reached 2.288 billion yuan, 20.4 percent more than the corresponding period last year. Supplies of chemical fertilizer, pesticides, motor-driven machines for agricultural use, and medium-sized and small farm tools were better than in previous years, grain areas of the province totaled 46.27 million mu, basically the same as in last year, and cash crop areas totaled 3.17 million mu, 120,000 mu more than the preceding year. Due to serious drought and insect pests, reaping a bumper harvest would be more difficult this year.

"In the first half of this year, the volume of foreign trade totaled \$2.284 billion, 10.4 percent more than the corresponding period last year. The province signed 227 contracts on foreign capital utilization in the period, and the actual amount of foreign capital used was \$202 million. Direct investment by foreign firms increased fairly greatly. Newly signed contracts concerning Sino-foreign joint ventures and cooperative enterprises, and exclusively foreign-funded enterprises totaled 120, 40 greater than the corresponding period last year, and the amount of agreed foreign investment was \$145 million, 2.7 times greater.

### Shanghai Stabilizing Commodity Prices

OW2808204789 Shanghai City Service in Mandarin  
2200 GMT 20 Aug 89

[Text] Zhu Rongji, secretary of the Shanghai Municipal CPC Committee and mayor, spoke at a 16 August meeting on economic work attended by some members of the Municipal People's Congress Standing Committee and the municipal committee of the Chinese People's Political Consultative Conference [CPPCC]. At the meeting, Zhu said, "Shanghai's economic work for the latter half of this year should continue to focus on stabilizing commodity prices. For that reason, we should adhere to the three measures aimed at stabilizing commodity prices."

Zhu Rongji first reported on the city's economic situation this year. He said, "Shanghai's economic situation at present is good. Our political situation is stable and social order has been maintained. The unity of Shanghai citizens has been strengthened after the turmoil. They have more confidence in the party and government, which is our strongest guarantee for overcoming all difficulties."

He noted that Shanghai's economy has maintained steady progress since early this year. The total industrial

output value for the period between January and July increased by 10 percent compared with the same period of last year, while the city's total financial revenue was up 2.4 percent from the same period last year. At the same time, we have seen stability prevail over the market and in commodity prices, and people's minds are at ease. The production of pork, poultry, eggs, fish, and vegetables in suburban counties has all increased. There has been a big increase in bank savings deposits. The decline in foreign trade has been checked. Production and operations in foreign-funded enterprises are back to normal. The tourism industry is bouncing back, with the hotel room occupancy rate in the downtown area up to over 70 percent. Municipal infrastructure projects and key industrial construction projects are being carried out as planned and progressing smoothly.

Zhu Rongji then analyzed the difficulties currently plaguing Shanghai's economic work and reported on the measures adopted by the municipal party committee and government to solve them. He said, "Industrial production at present is still facing severe shortages of energy and raw materials. The imbalance between the supply and demand of funds is acute. Financial subsidiaries are becoming more and more burdensome. The municipal party committee and government in the past 2 months have taken a series of measures to conscientiously implement the guidelines of the 4th Plenary Session of the 13th CPC Central Committee, to organize study activities at various levels to achieve unity in thinking, and to carry out screening and rectifying tasks. From municipal leaders down, all are striving to accomplish the seven tasks of great concern to the people, continuing to screen companies, investigating and punishing units engaging in speculation and profiteering, fighting graft and bribery, restoring order to society, further stabilizing commodity prices and the market, actively promoting commodities to reduce inventory and accelerate turnover, stepping up financial macroeconomic management and adjustment to stimulate the financial sector, coordinating industrial-trade relations and making all-out efforts to promote exports, conscientiously scaling down investment in fixed assets to ensure key construction projects, strictly controlling the growth of consumption funds, curbing the indiscriminate awarding of bonuses and goods, improving tax collection and management, controlling financial expenditures, and lowering institutional purchases."

Zhu Rongji pointed out that the economic tasks and measures for the latter half of this year should all take into account and follow commodity prices. Once commodity prices and the market are stabilized, people's minds will be at rest; consequently, the people will become enthusiastic and vigorous and we will see an increase in production and construction. Stabilizing commodity prices, therefore, is very important.

In order to further stabilize commodity prices, Zhu Rongji stressed that it is imperative to continue to adhere to the three measures aimed at stabilizing commodity prices:

First, we have to stabilize food prices and firmly implement the triple-tier subsidiary policy involving municipality, districts, and counties. The municipal government this year will spend a total of three billion yuan in subsidiaries for grain, cooking oil, and non-staple food. Counties and townships must stimulate farmers' production enthusiasm by way of improving their policies of using industry to subsidize agriculture and sideline production. The bottom line is to raise, by all means, the food basket project's large-scale operation effectiveness as well as its production effectiveness. District heads must be personally involved in rectifying and managing the food market and help solve its problems. If the food market is in disarray, no concrete benefits will go to the people.

Second, we have to stabilize the prices of manufactured consumer goods. We must continue stepping up our supervision and control over 51 kinds of basic consumer goods and coordinate between industry and commerce in order to ensure a steady supply of these goods as well as stable prices.

Third, we have to stabilize the prices of small commodities. Relevant departments, districts, counties, and neighborhoods must step up public supervision over deregulated commodities. Commodities whose prices are marked up by localities must be registered and monitored. Materials departments should increase the supply of some fixed priced raw materials and foster the production of small commodities.

Zhu Rongji said, "If the three measures aimed at stabilizing commodity prices succeed, this year's commodity prices will be able to stay at current levels." He emphatically pointed out, "The key to stabilizing commodity prices is to increase production and exports. We must press ahead with the 'double increase and double economy' campaign, fully stimulate the socialist enthusiasm of the large number of staff members and workers in the city, and strive with all our might to fulfill this year's various targets. All enterprises must commit themselves to fulfilling or overfulfilling their contractual production figures. Local state-run industries, while readjusting industrial structures and product structures, must try to achieve a 2 percent increase in production. We must promote the integration of industry and trade and try to achieve the goal of \$5 billion in foreign exchange through foreign trade. In agriculture, we must strive for a good autumn harvest and maintain steady growth in the production and supply of non-staple food. We must concentrate our effort on energy, communications, and raw materials-related key construction projects and ensure the full operation of technological renovation projects. All trades and industries should work for the aforementioned goals and accomplish concrete tasks for the people in a practical manner."

Zhu Rongji concluded by saying that currently, as the prices for energy and raw materials continue to rise, electricity, natural gas, industrial, and communications enterprises are sustaining more and more losses. As a



result, in the latter half of this year, we have to readjust the prices of industrial use electricity and natural gas and raise the fees for services provided by various public utilities, while the prices of home use electricity and natural gas will remain the same. Such readjustment basically will have no direct effect on the lives of the people; however, even if there is a slight effect, the people will be able to take it in stride psychologically and economically. Production enterprises inevitably will feel the pain of the increased burden, which, however, shall help prompt enterprises to save energy, reduce material consumption, and improve production effectiveness. All enterprises must take into account the overall interests of Shanghai and be willing to face difficulties and make their own contributions.

Vice Mayor Zhuang Xiaotian reported on the city's commodity price work at the meeting.

Members of the municipal People's Congress Standing Committees and of the CPPCC Municipal Committee, in their speeches, expressed satisfaction with the municipal government's measures for developing the economy and stabilizing commodity prices. They hoped that citizens throughout the city will support the various measures adopted by the municipal government and join hand in hand to work for this year's economic victory.

### **1988 Daily Output Value, Consumption in Shanghai**

*HK2808130489 Beijing RENMIN RIBAO in Chinese  
21 Aug 89 p 4*

[Article by Hu Jianlin 5170 1696 7207: "One Day in Shanghai"]

[Text] During the past 40 years since the founding the PRC, Shanghai municipality has achieved enormous results in its economic development. Its urban areas have continued to expand. Its productive capacity has further increased and its technological level further raised. Considerable progress has also been made in its various economic undertakings and social services.

In 1988, the municipality created an average daily total output value amounting to 167.76 million yuan, exceeding that in 1952 by 16 times; the average daily total industrial and agricultural output value amounted to 303.87 million yuan, exceeding that in 1952 by 14 times; the average daily personal income of its residents amounted to 145.96 million yuan, exceeding that in 1952 by 15 times.

The outputs of the major industrial products increased by several times or even several hundred times as compared with that in 1949. In 1988, Shanghai's daily steel output was 23,600 tons, exceeding the steel output of the old Shanghai in 3 years; the city turned out 13,000 tons of finished steel products and 7,633 tires one day, being almost the annual output in 1949; 19,100 bicycles were produced in one day, being 4 times the annual output in 1949; 8,800 sewing machines were produced in

one day, being double the annual output in 1949. The city now can turn out in considerably large quantities the products, such as power generators, automobiles, chemical fibers, synthetic circuits, plastics, wrist watches, cameras, television sets, tape recorders, washing machines, and refrigerators, which it could not produce during the initial period after the nationwide liberation. In 1988, it could produce 71 automobiles, 650 tons of chemical fibers, 36,900 wrist watches, 1,322 cameras, 13,000 television sets, and 11,600 tape recorders every day. It started to produce household refrigerators and washing machines in 1978 and has made rapid progress in developing the production ever since. By 1988, it could produce 1,574 household refrigerators and 4,850 household washing machines every day.

In 1988, Shanghai's rural areas produced an average of 5,104 tons of vegetables, 185.48 tons of fruits, 520.82 tons of milk, 487.67 tons of pork, and 707.76 tons of aquatic products every day.

In 1988, the port of Shanghai handled an average of 364,900 tons of cargoes every day; 120,800 passengers departed the city by trains, ships, automobiles, and airplanes every day; the city's buses carried 15.34 million passengers every day, and the highest number of passengers was 17.10 million a day. The city's average daily investment in fixed assets amounted to 65,120,000 yuan, and residential houses with a total floor space of 13,000 square meters were built every day. In the whole city, 695,900 letters were mailed and 24,800 telegrams dispatched every day.

In 1988, the total value of commodities sold by retail in Shanghai amounted to an average of 85,890,000 yuan every day, of which consumer goods amounted to 81,050,000 yuan. Goods exported every day through the foreign trade departments amounted to an average of \$12,600,000.

Shanghai received an average of 2,504 tourists, including foreigners, overseas Chinese, and compatriots from Hong Kong, Macao and Taiwan, every day in 1988.

The city published an average of 5,857,500 copies of newspapers, 1,186,300 volumes of books and sheets of pictures, and 728,800 volumes of magazines in 1988.

The city sold an average of 3,176,200 tons of tap water, 3,342,500 cubic meters of gas, and 65,950,000 kilowatt-hours of electricity every day in 1988.

### **Yunnan Makes Progress in Consolidating Companies**

*HK0808032589 Kunming Yunnan Provincial Service in Mandarin 1200 GMT 7 Aug 89*

[Text] Thanks to hard work done over the past 9 months, our province has made marked achievements in the work of screening and consolidating companies. Various prefectures and cities have discovered problems in 1,830 companies, and the problems of 705 companies have



been handled. Decisive measures have been basically taken to punish or close those companies concerned as the case might be.

There are a total of 6,234 companies of all kinds in our province. Most of these companies were established in 1986, 3,117 of which are under ownership by the whole people, 3,048 are under collective ownership, and 68 are based on joint operations. Some of them are commercial companies, some are financial companies, and some others are multiple-business companies. Since their establishment, some companies have played a positive role in developing production, promoting a prosperous economy, and enlivening urban and rural markets. However, some of them failed to go about things in accordance with the policies, laws, and regulations of the state. They abused their power in hand to do business, or carry out commercial activities of buying, or resell goods at huge profits. They encroached upon the property of the state and disrupted normal economic order.

Since the start of the work of screening and consolidating companies in December last year, in accordance with the spirit of the CPC Central Committee and the State Council and the arrangements made by the provincial CPC Committee and government, various localities have assigned more 4,000 professional personnel to participate in the work of surveying or sample surveying those companies mentioned above. They discovered that 427 companies had failed to separate government administration from enterprises, 430 companies were guilty of reselling important means of production and commodities in short supply, and 101 companies sold counterfeit or extremely poor-quality commodities. They also discovered that 551 companies were seriously short of registered capital, or actual funds on hand and that 321 companies had other problems.

After investigation and verification, the business licenses of 40 companies were revoked, 141 companies were abolished, and 210 companies were fined. Measures have been taken in accordance with relevant rules and regulations to deal with 133 companies that failed to separate government administration from enterprises, 67 companies that failed to register in accordance with relevant rules and regulations, and to turn 114 companies into other kinds of companies. Measures are also being taken to deal with companies with other problems.

## INDUSTRY

### Guangdong's Enterprises Suffer Great Losses

HK2008031089 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1215 GMT 15 Aug 89

[Report: "Guangdong's State-Owned Enterprises Suffer More Losses"]

[Text] Guangzhou 15 Aug (ZHONGGUO TONGXUN SHE)—Guangdong's state-owned industrial enterprises have suffered more losses, with shrinking profits. The

volume of losses involved some 110 million yuan in the first six months of the year, with a negative increase of 17.75 million yuan over the same period last year. The 19 cities provincewide, with the exception of Shenzhen, Heyuan, Maomin and Shaoqing, suffered greater losses.

Noteworthy is the fact that losses have also surfaced in some major enterprises that used to bring in great profits. Guangzhou Bicycle Industry Corporation has all along been doing good business. Its volume of profits was 43 million yuan in 1987, and 15 million yuan in 1988; but in the first six months of 1989, it should have suffered losses in terms of 4.36 million yuan.

Then, some of the products were unmarketable and have been kept long in stock. Consequently, the finished products have taken up an ever-growing portion of capital. The gross industrial output value of state-owned enterprises increased by 8.8 percent in the first six months of the year, while the volume of funds involved in finished products increased by 54 percent. Unmarketable products kept long in stock fell chiefly into the categories of television sets, compressors, sewing machines, copying machines, bikes, beer, and handicraft items. More than 120,000 color television sets were kept in stock, involving some 500 million yuan in circulation funds.

Conducive to the increase of funds involved in finished products, losses and shrinking profits have the following causes:

- Tight money supply and grave default of payments. Most of the products of Guangdong's industrial enterprises are marketed in other provinces. More often than not, payment falls far behind delivery of goods. Consequently, the enterprises would rather their products kept in stock or their production quotas cut down than delivered them before payment. Some purchasing units from other provinces have failed to take delivery of goods because of shortage of funds even if the down payment had been settled.
- The changes in policy resulted in the waning of production and marketing. Beer production cost has doubled with gross sales falling since the implementation of the policies on restricting packaged soft drink produced by a single lot, and collecting special tax as well as marketing surcharge for beer.
- Effects of the current situation resulted in poor performance of purchase contracts. For example, some 400 tons of tinned mushrooms involving 690,000 yuan, to be exported to the United States and Western Europe have been kept in stock because of cancelled orders. Besides, poor sales of handicraft items for tourists, beer and beverage are keenly felt, along with the drastic cut in the number of tourists coming to Guangdong.

It is predicted that Guangdong's state-owned industrial enterprises will face still greater difficulties, and the strain in funds, raw materials, energy resources and

transportation will be further aggravated. The volume of losses is estimated to increase by 6 percent over the same period last year.

### **Drop in Guangzhou Production Rate Causes Worry**

*HK2808034189 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST)  
in English 28 Aug 89 p 1*

[By Amelia Cabatit]

[Text] Production levels in Guangzhou may not be expanding at the pace Hong Kong businessmen are used to, or at the rate needed to satisfy foreign buyers' demands.

A group of traders and bankers returning from a visit to the capital of Guangdong province have voiced concern that China's foreign exchange shortage and credit squeeze could impair growth in industrial output.

"We were reassured on many fronts but there is one major concern: Future funding of raw materials needed for export production has slowed down, and does not look as if it can meet growth of demand by Hong Kong traders," said William Fung, the chairman of the Hong Kong Exporters' Association.

The association's visit was its first to the mainland since the Beijing massacre and was aimed at gauging the effect of the political and economic climate on business.

Members spoke to the deputy governor of Guangdong and mayor of Guangzhou during the three-day visit.

Guangdong—which notched up a phenomenal 30 percent growth production for 1988 over 1987, and a 70 percent growth for 1987 over 1986—is the main investment site for Hong Kong. Mr Fung is worried that while credit is being extended to production of raw materials used in export production, it would not match the 20 to 30 percent growth rate of the past.

"We're still checking the figures but we believe funding would be nowhere near past growth rate," he said. This has raised fears that production levels in Guangdong would not grow enough to satisfy Hong Kong and its clients.

An economic slowdown is already gaining momentum on the mainland due to a tighter credit policy launched last year to fight inflation and as overheating economy.

State enterprise spending has been cut by about 20 percent, while taxes on luxury items have been raised and new ones placed on construction.

Energy availability could become an even bigger problem than it already is in Guangdong. A recent study by Baring Securities shows the province received only 12 percent of the coal it needed from the government and had to buy the rest on the open market.

But the visit also revealed positive aspects. Four crucial areas of investments would not be affected by the tightening money supply, according to officials.

These were energy and electricity, transportation, telecommunications and anything to do with production of raw materials.

Apart from the growth of funding for raw materials, Mr Fung said the immediate business climate looked positive for Hong Kong.

"We were assured manufacturing is going on as normal and the credit squeeze will not affect export-oriented or outward processing activities," he added.

Chinese officials were in fact promoting more exports and attempting to improve infrastructural problems such as transportation and energy supplies, he added.

Businessmen also found Guangzhou officials were sweetening land agreement deals, with the introduction of 50-year leases. Only investments in fixed assets such as hotel and other physical buildings were being discouraged.

Officials were even claiming heightened export-manufacturing activity in the province after June 4.

If this is true, Hong Kong businessmen could be playing it safe and sourcing closer to the territory rather than further north, where it is cheaper but more risky in terms of transport.

Members of the delegation, which toured factories and ports around Guangzhou, said production and transport activities had apparently returned to normal.

Mr Fung said the delegation also spoke of "highly sensitive" policy matters such as Zhao Ziyang's fall from grace.

Jiang Zemin, his replacement as Communist Party general secretary, is from Shanghai and there were fears this could have meant less independence for the province, leading to more controls that could hinder trade, such as special licences, by delaying delivery of goods and causing a loss of foreign confidence.

But the delegation was told there would be no policy changes.

"The province still enjoys the support of Beijing," said Mr Fung. The strongest proof offered was that the central government had not cut the foreign exchange contribution expected from Guangdong.

### **Heilongjiang First-Half Industrial Results Reported**

*SK2308044389 Harbin HEILONGJIANG RIBAO in Chinese 20 Jul 89 pp 1-2*

[Summary] According to the newest statistics compiled by the provincial statistical bureau, the first-half output

value of industrial enterprises across the province was showing an increase. However, economic results scored by them were not good. Therefore, the first half of 1989 was the most severe period over the past few years.

During the first half, the province realized 24 billion yuan in its total industrial output value, an 8.3 percent increase over the same period of 1988. Of this output value, that of light industry reached 8.65 billion yuan, a 13.7 percent increase over 1988; that of heavy industry reached 15.34 billion yuan, a 5.4 percent increase over 1988; that of the state-run enterprises reached 19.4 billion yuan, a 7.4 percent increase over 1988; and that of collective-run enterprises reached 4.51 billion yuan, an 11.3 percent increase over 1988, (including 980 million yuan of output value and a 19 percent increase scored by the town-run industrial enterprises). Of the 1.04 billion yuan increase scored by the light industrial enterprises in output value, that of the sugar refinery industry showed a 270 million yuan increase over the same period of 1988; that of the medical industry showed a 170 million increase over 1988; and that of the household electric appliance industry showed a 120 million yuan increase over 1988.

During the first half, of the output of heavy industry, that of energy resources showed both an increase and a decrease; that of the power industry showed a 13.8 percent increase over the same period of 1988; that of raw coal showed an 8.7 percent increase over 1988; that of crude oil showed a 0.5 percent decrease over 1988; and that of natural gas showed a 2.4 percent decrease over 1988. Of the output of metal materials, that of pig iron showed an 18.1 percent increase over the same period of 1988; and that of 10 nonferrous metal, such as steel and rolled steel, all showed a decrease over 1988. The total industrial output value scored in the first half ranked the province from 23d in the country in the first quarter to 20th at the end of June.

According to the statistics compiled in the first half of this year, profits and taxes realized by the local industrial enterprises whose products are covered by the state budget showed a 19.4 percent increase over the same period of 1988. Incomes earned from product sales showed a 19 percent increase over 1988. The cost of comparable products surpassed the expense budget by 15.2 percent. The volume of losses caused by the enterprises showed a 25 percent increase over the same period of 1988. Profits earned by enterprises at or above the county level, which carry out their accounting independently, showed a 59.5 percent decrease over the same period of 1988. The net industrial output value showed a 12.5 percent decrease over 1988.

In line with the first-half industrial production results, the provincial statistical bureau has sorted out the following existing problems: 1) The contradiction between fund supply and demand has been intensified. 2) The shortage of raw materials has been serious. 3) The supply of electric power has been strained.

### Zhejiang Industrial Production Drops in July

OW'1608131789 Hangzhou Zhejiang Provincial Service in Mandarin 0900 GMT 7 Aug 89

[From the "Provincial Hookup" program]

[Text] The industrial production of our province dropped in July because of the effects of heavy rainfall, floods, and typhoons. The industrial output value amounted to 6,456 million yuan, showing a 8.8 percent decline from the record registered for the preceding month. However, this was still 10.3 percent more than the output value for last year's corresponding period. The accumulated value of industrial production in the province from January to July was 45,214 million yuan, accounting for 55.1 percent of the target set for this year.

To fulfill this year's production plan, industrial departments at all levels have taken into consideration the actual situation in their respective fields and localities and established measures to adjust the makeup of products to meet market demands and ensure a sustained and steady increase in industrial production during the second half of this year.

The several localities that were hit by natural disasters are organizing available forces under the leadership of local governments to help disaster-affected enterprises to quickly resume production.

## COMMERCE

### Commerce Vice Minister Assesses Retail Sales

OW'2008071789 Beijing Domestic Service in Mandarin 0930 GMT 7 Aug 89

[By reporter Cai Xiaolin; from the "National News Hookup Program"]

[Text] During the first half of 1989, the total value of retail sales of social commodities in China was 411.9 billion yuan. If adjustment is made for price increases, it actually dropped by 5.8 percent against the same period last year. Assessing this situation today, Vice Minister of Commerce Zhang Shiyao said, "The marked drop in sales this year should be regarded as a good sign." He stated that the market, which was unstable last year because sales had been extremely brisk, has now begun to return to normal.

Zhang Shiyao argued that the momentum of extremely brisk sales has been brought under control. This shows that the policy of improving the economic environment and rectifying the economic order has achieved initial success in the field of circulation.

He said, "Since the beginning of this year, party and government leaders at all levels have paid very close attention to market problems. Top leaders in Beijing, Tianjin, Shanghai and a number of provinces and cities have taken to tackling market problems personally, and

have generally adopted effective regulatory measures to stabilize the market and commodity prices. Together with the introduction of index-linked savings deposits and other factors, we were able to calm the anxieties of the general public. Therefore, in general, there was no major incident of widespread panic buying this year."

Forecasting the market situation during the latter half of this year, Zhang Shiyao said, "Looking at the situation as a whole, there is no likelihood of any big upheaval in the market during the second half of this year. But because of the existence of some outstanding production, development, budget, finance, commodity price and foreign exchange problems over the years, and the fact that these problems cannot fundamentally improve in the near future, a number of unstable factors remain hidden in the market during the latter half of this year. First of all, the gap between total market demand and supply is still quite wide. In the meantime, surplus social purchasing power has continued to rise. By the end of June, this surplus social purchasing power was approaching 600 billion yuan. This definitely will bring much pressure to bear on the market. Next, in the composition of products, the supply of many popular products, on the one hand, is inadequate and their inventories have dropped. On the other hand, the demand for other products has fallen and stocks have piled up. Third, the supply of funds is still tight. If this cannot be solved in time, it will affect procurement and market supply during the peak season."

Zhang Shiyao urged commerce departments to do a good job in market supply during the later half of this year by paying close attention to two aspects. First, continue to pay close attention to the supply of certain daily necessities such as grain, edible oils, vegetables, meats, eggs, sugar, and salt in foodstuffs; cotton cloth and linen in clothing; and industrial products for daily use. Second, vigorously expand the sales of slow-selling and other products in order to make use of sales to promote procurement and production.

#### Statistics Indicate Brisk Free Market Activity

OW1708231589 Beijing XINHUA in English  
1220 GMT 17 Aug 89

[Text] Beijing, August 17 (XINHUA)—By the end of 1988 some 71,359 free markets had sprung up since the government began encouraging the private sector of the national economy 10 years ago, and business at these markets is brisk, according to today's RENMIN RIBAO.

According to figures from the State Statistics Bureau, the whole year's volume of free-market business reached 162.1 billion yuan (about \$43.8 billion)—much more than the growth rate of the total volume of retail sales of the state and co-operative businesses.

Thanks to the free markets, constant supplies of poultry, eggs, aquatic products, and fresh vegetables are flowing into the cities, making up for the insufficiency of the state supply.

## FOREIGN TRADE, INVESTMENT

### Trade Official Speaks on Sino-Indonesian Ties

BK2108111489 Jakarta ANTARA in English  
0945 GMT 21 Aug 89

[Text] Jakarta, Aug 21 (ANTARA)—The trade relations between Indonesia and China after the signing of a memorandum of understanding between the Indonesian Chamber of Commerce and Industry (Kadin) and the Chinese International Trade Promotion Board (CCPIT) in Singapore in 1985, have developed rapidly with a surplus of \$900 million for Indonesia.

Chairman of the CCPIT Zheng Hongye accompanied by Kadin advisor for improvement of relations with China, Tong Joe, said this here Monday.

Zheng further said that China had taken part in the 1987 Jakarta Fair and that Indonesia had participated in the 1989 Beijing International Fair. Trade delegations had been exchanged between the countries this year, which caused an increase in the trade volume between the two countries, he added.

Indonesia, Zheng said, has as great deal of unexplored economic potentials as China. [sentence as received] With a population of 175 million, he went on, Indonesia seems busy developing and the results reflect not only in the increase of the people's income but also in the acceleration of economic growth.

Zheng said that economic cooperation between the two countries will not only benefit both countries but other Asian people and the ASEAN region as well.

He also expressed happiness as President Suharto has recently mentioned the continuation of talks on the normalization of diplomatic relations between the two countries.

The normalization effort, Zheng said, will give more chances to the improvement of the economic, trade, and cultural relations. Although trade relations have been running, the normalization of diplomatic relations is expected to be realized soon, he added.

China, Zheng further said, needs wood, plywood, chemical products, fertilizer, cement, palm oil, gas, and other commodities from Indonesia, on the other hand, China can provide agricultural machines.

Zheng on this occasion also said that China, in development and modernization, is facing a challenge, namely capital. Therefore, he went on, the country is now open to foreign investment for joint venture businesses.

Despite the demonstration which has been recently launched by pro-democracy students, the country insists on holding openness to foreign world, including Indonesia, Zheng said.

Commenting on the trade relations with the United States which have decreased or even stopped, Zheng said

that this affected only certain fields, namely in the supply of military equipment and the import of technology.

As all countries need and depend on each other, relations with the West, specifically the U.S., will recover, he said.

### July Foreign Trade Up 15 Percent Over 1988

*HK1508051089 Beijing CHINA DAILY in English  
15 Aug 89 p 2*

[By staff reporters Zhao Yinqiu and Qu Yingpu]

[Text] China's imports and exports continued to rise last month according to figures released by the General Administration of Customs yesterday.

Trade value in July totalled about \$9.59 billion, a 15.32 percent increase compared with the same period last year, a customs report said.

This figure includes an import value of more than \$5.18 billion and an export value of about \$4.41 billion, up by 15.95 and 14.59 percent respectively compared with July last year.

According to the report, between January and July, China's total imports were over \$33.23 billion, 24 percent more than during the same period last year. Meanwhile, the country's exports increased by only 7.7 percent to reach about \$26.66 billion.

Total trade volume during the first seven months of this year reached more than \$59.89 billion, up by 16.63 percent compared with the January-July period last year, the report said.

The report explained that these figures not only include China's imports and exports, but also contain free aid materials, donations, and items of foreign-invested enterprises that passed through customs. Some of these items were part of foreign investment.

China's biggest trade partner in July was still Hong Kong. Trade between the two sides totalled over \$2.97 billion. Among the \$18.2 billion worth of goods traded during the first seven months of the year, China enjoyed a surplus of almost \$4.4 billion. Compared with the first seven months of last year, China's exports to Hong Kong increased by 23.55 percent and imports by 14.69 percent, the report said.

The country's second largest trade partner was Japan. Imports from and exports to Japan last month were \$776 million and \$685.11 million respectively. Between January and July, trade between the two countries amounted to \$10.39 billion with China suffering a trade deficit of more than \$1.87 billion. China's exports for the January-July period increased by only 4.3 percent over the same time last year while imports went up by 15.5 percent.

The third largest trade partner was the EEC, which imported \$396 million worth of goods from China last month and exported over \$709 million. Total trade volume during the first seven months of this year was \$7.78 billion. China recorded a trade deficit of \$2.73 billion. China's imports during the past seven months from the EEC increased by 36.74 percent while exports went up by only 2.06 percent over the same time last year.

The United States continues to be China's fourth largest trade partner. It imported \$346.81 million and exported \$476.33 million worth of goods last month. Between January and July, trade between the two countries totalled \$6.17 billion with China bearing a deficit of \$183.37 million. Trade in both directions was over 20 percent more than during the period last year.

Following the United States are the ASEAN countries and the Soviet Union. China's trade with them during the first seven months of this year was \$3.46 billion and \$2.11 billion respectively. China's imports from the Soviet Union during the period went up by 64.42 percent to reach \$1.18 billion while exports increased by only 14.49 percent.

Last month, China exported \$10.57 million worth of goods to Taiwan and imported \$14.93 million. Total trade during the first seven months of this year amounted to more than \$1.06 billion. Of the figure, China's exports were \$40.68 million, a 275.46 percent rise compared with the same time last year, the report said.

### Beijing Reports Export Figures for Machinery, Electrical Goods

*OW2408065889 Beijing Domestic Service in Mandarin  
0200 GMT 19 Aug 89*

[Text] According to a report by Xinhua News Agency, the Machinery and Electrical Products Export Office of the Beijing Municipal Economic Commission revealed that, after nearly 3 years of effort, Beijing Municipality has initially established a structure to manufacture machinery and electrical products for export.

Last year, Beijing's export value of machinery and electrical products reached \$192 million, 3.69 times that of 1985. During the first half of 1989, the export value was \$116 million, an increase of 12.75 percent over the same period last year. Machinery and electrical products as a portion of Beijing's total exports have risen from 8.4 percent in 1985 to 18.8 in 1988.

For many years, Beijing's exports had consisted mainly of light industrial, textile, and handicraft products. The growth of export from the machinery and electrical sectors had been slow. Since 1986, Beijing Municipality has concentrated its efforts on upgrading the machinery and electrical sectors, and has striven to establish an export base. In accordance with demand in the international market, it has striven to improve their quality and

varieties, and developed some popular export products. According to statistics, the export value of 15 major products in 1988, including tools, jeeps, cast iron products, lead ingots, broadcasting equipment, and metal-cutting machine tools, reached 116 million United States dollars, making up 60 percent of total export of machinery and electrical products from Beijing. Of these, television sets and jeeps, respectively, earned 26.53 and over \$10 million in export.

### Foreign Investment Increases in Liaoning

OW1708023089 Beijing XINHUA in English  
1347 GMT 16 Aug 89

[Text] Shenyang, August 16 (XINHUA)—More and more foreign investors are flocking into northeast China's Liaoning Province, one of the country's most important industrial centers.

According to an official from the provincial department of foreign economic relations and trade, projects using foreign investment approved in the first half of this year totalled 197, involving a total of \$366.25 million—increases of 59 percent and 148 percent, respectively, over the same period last year.

The number of joint ventures, cooperative and solely foreign-funded enterprises approved between January and June came to 120, with contracts totalling \$335.7 million, of which \$175.32 million came from foreign investors—an increase of 277 percent over the same period last year.

Meanwhile, the province also approved 21 compensation trade contracts, for which foreign investors will provide the province with equipment worth \$19.99 million, six items of international leasing, and 50 processing and assembling items.

### Shandong Enterprises Exchange Experiences of Joint Ventures

SK2908023589 Jinan Shandong Provincial Service in Mandarin 2200 GMT 28 Aug 89

[Text] The meeting to exchange experiences of Sino-foreign joint ventures, cooperative enterprises, and exclusively foreign-funded enterprises of Shandong peninsula economic open zone was held in Weifang City on the afternoon of 28 August.

The meeting offered suggestions on how to further open the peninsula to the outside world, improve the work environment, do a good job in running Sino-foreign joint ventures, cooperative enterprises, and exclusively foreign-funded enterprises, and improve economic results.

The meeting participants held that since the beginning of this year, the Shandong peninsula economic open zone has achieved new progress in foreign economic and trade work, continued to expand foreign economic and technological exchange and cooperation, and increasingly

rationalized the orientation of using foreign capital, and steadily increased foreign trade.

From January to July this year, the peninsula's procurement of export commodities was valued at 37.26 billion yuan, an increase of 10.37 percent over the same period last year, accounting for 57.9 percent of the province's total investment.

The meeting pointed out that in the second half of this year, the six cities in the peninsula should particularly grasp well the following five tasks:

1. They should actively strengthen publicity toward the outside world, explain the true facts of the turmoil and rebellion to foreign businessmen through various forms and channels, explicitly speak to them about the stable situation in China and in Shandong peninsula and tell them that the legal interests of foreign businessmen who invest in Shandong peninsula will be guaranteed.

2. They should expand foreign trade. While making continued efforts to grasp the export of traditional products, they should pay particular attention to developing new products, and gradually increase the export of finished products and precision and intensively-processed products, and expand the export of machinery and electronic products, light and textile products, technology and labor service.

3. They should take active and reliable steps to use foreign capital and place the focus on inducing foreign businessmen to make direct investment. In line with the needs of our province's economic construction, they should strive to develop some large projects that are favorable for intensifying momentum for economic development, some essential infrastructural facilities, basic industries, high-technology industry, and projects that can create foreign exchange through export.

4. They should further accelerate the pace of building infrastructural facilities.

5. They should make continued efforts to build the economic and technological development zone.

The meeting stressed actively establishing and running Sino-foreign joint ventures, cooperative enterprises, and exclusively foreign-funded enterprises constitute one of the key points of our province in using foreign capital and opening to the outside world in the future. We must grasp this work firmly, successfully, and solidly. At the same time, we should also strengthen service and management, do a good job in running Sino-foreign joint ventures, cooperative enterprises, and exclusively foreign-funded enterprises, and improve the work of opening the peninsula to the outside world.

### Shanghai Rural Areas Site of 83 New Joint Ventures

OW2608004389 Beijing XINHUA in English  
0010 GMT 26 Aug 89

[Text] Shanghai, August 26 (XINHUA)—In the first six months of this year, 83 Sino-foreign joint ventures went

into operation in the rural areas of Shanghai, China's leading manufacturing center.

The output value of these enterprises totaled 354 million yuan. Their exports were worth \$48.91 million and 68.83 million yuan in taxes was handed over to the state in the first half of this year.

About 75 percent of the joint ventures are profitable and 95 percent are productive enterprises. Their products include textiles, garments, handicrafts, leather and plastic goods, electronics, machinery, toys, medical instruments and bamboo articles.

There are seven joint ventures running at a loss. They registered a total of 500,000 yuan in losses in the first six months of this year, said Zhou Wenxuan, deputy director of the Shanghai Municipal Agricultural Commission.

Zhou attributed the losses to poor feasibility studies before the projects were undertaken and large inventories.

With the improvement in its investment environment, Shanghai has become even more attractive to foreign investors.

So far there are 202 foreign-funded enterprises on the outskirts of Shanghai, which involve a total of \$169 million in investment.

## ECONOMIC ZONES

### Hainan Outlines Economic Work for Rest of Year

*HK0308064789 Haikou Hainan Provincial Service in Mandarin 0300 GMT 2 Aug 89*

[Excerpts] According to HAINAN RIBAO, yesterday afternoon the second meeting of the provincial people's government was held under the chairmanship of Vice Governor Bao Keming. The meeting outlined the ideas for guiding the province's economic work for the second half of the year and called on all local authorities to study and implement in depth the spirit of the 4th Plenary Session and the important speeches by Comrade Deng Xiaoping, to carry out the guidelines of the third session of the first provincial party committee, to deepen their understanding and achieve unity of thinking, to implement in a proper and flexible way the preferential policies specially designed by the central authorities for Hainan, to work harder for key construction projects, to improve the investment climate, and to make efforts to fulfill and overfulfill this year's economic plan. [passage omitted]

Vice Governor Bao Keming delivered a speech on the province's economic work for the second half of the year. Centering on speeches made by other leading comrades, he called on the whole province to grasp eight things in the near future.

1. All local authorities of the province must seriously study and implement the spirit of 4th Plenary Session of the 13th CPC Central Committee, do well the seven things outlined by the CPC Central Committee Political Bureau in the near future and fulfill all tasks set at the third session of the first provincial party committee and the provincial conference on the work of maintaining a clean and honest administration. At present, we must concentrate our efforts on fighting corruption, developing a system for continuous party and government cleanup, work hard under difficult conditions, and build up the country through diligence and frugality.

2. We must persist in implementing the reform and opening up policy and unhesitatingly build the large Hainan Special Economic Zone. [passage omitted]

3. We must spare no effort in boosting agricultural production, particularly in promoting late rice production, by combining policies with science and technology. [passage omitted]

4. Continuous efforts must be made to turn away from deficits to profits in industrial enterprises, straighten out enterprises and promote technological transformation. [passage omitted]

5. The investment climate in our province must be further improved, with the focus on the construction of key projects, and especially the construction of the infrastructure such as energy, transport, and telecommunications.

6. The work of structural reform must be carried out in a deep-going way. [passage omitted]

7. The work of allocating and supplying fuels, raw materials, and materials for agricultural use must be done well so as to meet the needs of building the special economic zone and lay a foundation for next year's production and construction.

8. Financial and tax departments at various levels must take the effort to increase revenue as the key task in the remaining 5 months of the year, conduct a deep-going examination related to accounting, taxation and pricing, enforce strict discipline in accounting and taxation, strictly investigate and handle tax evasion, tighten control over extrabudgetary funds, limit institutional purchases of consumer goods, strengthen market controls, and exercise strict supervision over prices. Through examination, the work of double increase and double economy will be further carried out throughout the province.

### Shenzhen Economy Affected by Power Shortage

*HK3008081089 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1519 GMT 24 Aug 89*

[Report: "Power Shortage in Shenzhen Brings Negative Effects on Economic Development"]

[Text] Shenzhen, 24 Aug (ZHONGGUO TONGXUN SHE)—A power shortage in Shenzhen has affected not

only social production but also the daily life of residents. The city government can not but adopt a measure from 20 August, to make industrial production give way to the residents' daily life.

However, the frequent power failure has brought about losses to the production of some enterprises. The Guangming Overseas Chinese Dairy Farm is chiefly producing milk products for its Hong Kong market. Due to the power shortage, the quality of its products has been seriously affected. Several times, Hong Kong businessmen have returned their products. In some enterprises, production ceased for 3 or 4 days a week.

At a forum for foreign businessmen, recently held by the Shenzhen Industrial and Commercial Bureau, many foreign businessmen pointed out frankly, that the power shortage has begun to affect the confidence of investors.

It was learned that the current quota of electric power supplied by Guangdong Province to Shenzhen is only about 70 percent of the electric power needed by this special zone at last year's peak time. However, if this year's situation is taken into account, this quota is only about half of the electric power actually needed. Sometimes, the Shenzhen Power Supply Bureau has to suspend power supply in accordance with the instructions of the provincial electric power management center. This is the main reason for power failure and power shortage.

In order to solve the problem of power shortage, Shenzhen has adopted a series of measures and new policies in power supply since June. For example, it has worked out an electricity distribution table for using electric power in a planned way, and demanded all industrial and commercial consumers and guesthouses not use color lamps and neon lights. However, the implementation of these measures still cannot fundamentally solve the problem.

Shenzhen city has begun to exercise a strict control over those high-energy-consumption and low-economic-returns projects. Judging from a long-term point of view, the problem of power shortage in this city can be fundamentally solved only when a number of oil-fired power plants and the second coal-fired power plants are built.

## LABOR

### Mobile Labor Discussed

HK2208024389 Beijing JINGJI YANJIU in Chinese  
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[Article by Liu Wei 0491 0251 and Ping Xinqiao 1627 2450 0829 of the Economics Institute of Beijing University, written in May 1988: "A Study of Mobile Labor in the Course of Our Country's Economic Development"]

[Text] The mobile labor which is studied by economics is the shifting or mobile economic population. During a stage of structural change in a developing country, the

emergence of the mobile labor question is not only a question of overall employment volume, but also a structural question. At the present stage, our country faces deep-going changes in the industrial structure and deep-going changes in development strategy targets, and it is in this stage that mobile labor has emerged in large volumes. Issues especially worthy of study are our country's special population background, the large stores of excess labor, the weak absorption of labor by modern sectors, and so on. These indicate that the mobile labor contradiction will become more prominent in our country's process of structural change and we need to seriously consider this fact in our theoretical and policy choices.

### I. The Fisher-Clark Hypothesis and the Inevitability of the Emergence of Mobile Labor at the Present Stage in China

If we say that developing countries, in the process of achieving industrialization, need a changeover in industrial structure as a deep-going economic condition, then, accompanying the changeover in the industrial structure, people's labor modes will inevitably experience both temporal and spatial change. That is, a portion of the labor force will not be suited to the existing structure and thus will drift away from the old industrial structure framework and gradually move into new industries, creating changes in the overall employment structure. Of course, in this movement, a part of the labor force will, in the same way, not be suited to the newly emerging industrial structure, and thus they will be forced into continual movement. The Fisher-Clark hypothesis was the earliest systematic study in modern economics of the question of mobile labor in the process of economic structural changeover.

A.G.B. Fisher first pointed out that labor movement is not only a problem of overall volumes, but also a structural problem. In 1935, in an article entitled "The Economic Implications of Material Progress,"<sup>1</sup> he put forward three basic hypotheses about the innate relationships between economic growth, economic structural change and the movement of labor: 1. A country's economic sectors can be divided into primary, secondary and tertiary industry, and a country's level of economic development can be measured by the proportion which primary industry labor constitutes in the overall employment structure. That is, the employment structure can be used to indicate the level of economic development. 2. The changes in the level of economic development can be measured through the level of the economic structure (tertiary industry structure). 3. The process by which the industrial structure reaches a higher level is inevitably and concurrently a process whereby the employment structure reaches a higher level. Further, the process by which the employment structure reaches a higher level is inevitably a process whereby there is wide-ranging interflow of labor between industries and regions.

In 1940, the statistician Colin Clark, on the basis of historical statistics of economic populations among the



major developed countries of the world, demonstrated the validity of and supplemented Fisher's hypothesis. He discovered the process by which a backward agricultural country achieves industrialization is also a process by which the agricultural labor force falls from constituting about 80 percent of the labor force to below 10 percent in the most developed countries. Clark further pointed out that the direct motivation for the above-mentioned change occurring in the labor force is the income elasticity of demand. That is to say, following growth in income, people's elasticity of demand for the products and services provided by the handicrafts industry and urban service sectors, which have simple operations and low efficiency, gradually grows. Thus, the proportion of labor deployed in agriculture drops and the proportion of people employed in the backward sectors of the urban service industries grows.<sup>2</sup>

If we say that Fisher stressed the universality of the shift of labor from primary to secondary industry in the process of industrial structural change in the history of developed countries, then what Clark stressed was the trend, in the process by which developed countries achieved industrialization, by which labor moved from primary industry directly to tertiary industry. If we say that, in Fisher's basic hypothesis, the process by which the industrial structure achieves a higher level and a shift is achieved in the employment structure, must have the accumulation of capital and technological progress as conditions, then the changes in the employment structure described by Clark included the following possibility: When primary industry labor moves to tertiary industry and especially to the backward sectors of tertiary industry, it may not be as an inevitable accompaniment to the accumulation of capital and technological development, but rather could be a result of the income elasticity of demand. It should be noted that this additional point made by Clark has great explanatory force in examining the mobile labor problem in contemporary developing states.

In the 1960's, the U.S. economist Simon Kuznets, on the basis of statistical data from 40 countries, put forward a temporal alignment analysis and a transverse structural analysis of the changes in the employment structure during the process of economic development and structural change. He thereby provided further proof for the Fisher-Clark hypothesis and, in particular, unified the short-term and long-term analysis of the movement of economic populations. He pointed out that in the process of economic development, because of disparities between development in different industries and the differences in employment distribution of populations, and because of the differences in the rate of population increase in urban and rural areas and differences in urban and rural economic growth rates, there is inevitably produced a "long-term flow" of economic population movement. This clash is not accidental and is not a short-term sectional phenomenon in economic structural change. Rather, it is a long-term trend in the historical and logical process by which the industrial structure

achieves a higher level. At the same time, it is not simply an economic phenomenon, but rather also a social phenomenon of wide-ranging historical import.

The long-term nature and objective nature of the mobile labor problem have their origin in the long-term nature and objective nature of economic structural change. The history of the economic development and growth of the major developed countries of the world up till now is a history of the evolution of the employment structure towards a higher level. This history can generally be divided into two stages: the first stage can be generally equated with the period before the completion of the classic industrial revolution. That is, a period from the middle of last century to before the 1930's (in Britain and France, the period only extended up to the end of the century). The major aspect of the changes in the industrial structure during this period was the change whereby traditional agriculture was replaced in prime economic position by the manufacturing industry. At the same time, the economic population moved in great numbers from the villages to the cities and moved from agriculture to manufacturing industry. It was the various types of clashes which occurred in this process of change which produced the surplus labor in villages, the excess population in cities and the many socioeconomic, political and cultural contradictions which accompanied these phenomena. The second stage lasted generally from the 1930s to the 1970s. The secondary industry proportion, after rising and stabilizing, experienced a stagnation or even a decline. In keeping with this, the trend appeared whereby labor moved toward tertiary industry and entered the so-called "post-industrial society."

The level of our country's industrial structure at present and the corresponding employment structure are roughly equivalent to the first stage of industrial structural change which the developed countries passed through. Thus, saying that China's mobile population is a problem of excess volume of economic population is not as correct as saying that it is a centralized manifestation of the clashes in the industrial structure and employment structure as they undergo change. That is, it is a structural problem.

The above conclusion has the following three bases. First, seen in terms of employment structure similarity coefficients, the employment structure of our country at the present stage is very similar to the employment structure in developed countries at the end of the 19th century and the beginning of the 20th century.

In an international comparison of the employment structure, the structural similarity coefficient is often used as a basis. The formula is:

$$S_{ij} = (\sum_n X_{in} X_{jn}) / (\sum_n X_{in}^2 \sum_n X_{jn}^2)^{1/2}$$

In the formula,  $S_{ij}$  is the similarity coefficient between two structures (i and j);  $X_{in}$  is the proportion which "n" sector constitutes in the "i" structure;  $X_{jn}$  is the proportion which "n" sector constitutes in "j" structure.<sup>3</sup>

On the basis of the above-mentioned formula, when we apply relevant data from China and Japan, and carry out the calculation, we find that for the years 1952-1985 in our country and the years 1872-1930 in Japan, the employment structure similarity coefficient is over 0.9 and the degree of deviation ( $1 - S_{ij}$ ) only changes from 0.0013 to 0.0727.<sup>4</sup> This shows that, seen from the level of the employment structure, the pressure from mobile labor faced by our country at the present stage is similar to the pressure of labor movement which appeared in Japan during the early stage of industrialization.

Second, seen in terms of the speed of change in the employment structure of the three types of industry, that is, the employment structure change value, our country's employment structure change value is equivalent to the speed of change in Japan and other developed countries at the end of last century and the beginning of this century.

The formula for calculating structural change value is:

$$K = \Sigma \text{ times the absolute value of } (q_{ij} - q_{io})$$

In the formula,  $K$  is the employment structure change value.  $q_{ij}$  is the employment structure ratio of the three types of industry for the report period and  $q_{io}$  is the structural ratio during the base period.<sup>5</sup> By introducing relevant data for China and Japan and carrying out the calculation, we find that the employment structure change value for our country over the 26 years from 1952 to 1978 is 19.74 percent, about equivalent to the structural change value of Japan in the 25 years from 1872 to 1897 (20 percent). If we calculate the accumulated value of change in the employment structure for our country from 1952 to 1985, we find that the figure for these 33 years is 24.24 percent. This is very close to the figure of 32 percent for the employment structure change value of Japan in the 34 years from 1878 to 1912.<sup>6</sup> However, beginning in 1913 Japan's industrial structure and employment structure experienced deep-going changes and in the 24 years from 1913 to 1936, Japan's employment structure change value leapt upwards to 52 percent, and in the 27 years from 1936 to 1963, it grew further to 58 percent. This historical period was of course the stage when Japanese industrialization was accelerating towards completion. If we say that Japan's road of development has a certain universal significance, it means that at the present stage in our country, we have entered a period when the employment structure has begun to see marked changes, thus producing a large-scale movement of economic population.

Third, seen in terms of the comparative labor productivity structure of tertiary industry, the level of comparative labor productivity at the present stage in our country is generally the same as that of the economically developed countries at the time of their economic take-off.

What is meant by comparative labor productivity of an industry is the ratio between the percentage which the

industry constitutes in national income and the percentage which the people employed in this industry constitute in the total employed population. The so-called comparative labor productivity structure refers to the proportional relationship between the comparative labor productivity value of agriculture and the comparative labor productivity on nonagricultural sectors. It has been calculated that through the middle and latter years of the 1980s in our country, the ratio between the comparative labor productivity of agriculture and the comparative labor productivity of nonagricultural sectors has only been about 0.25.<sup>7</sup> According to Simon Kuznets grouped statistical analysis of 40 countries of different levels of industrial development, from 1948 to 1954, the ratio between comparative labor productivity of agriculture and comparative labor productivity of nonagricultural sectors in the group of countries with the lowest national income over that period was 0.31.<sup>8</sup> This shows that, seen in terms of the comparative labor productivity structure, at present, we are at most at a stage equivalent to the initial stage of the period of acceleration of industrialization in industrially developed countries.

We believe that a low ratio between the comparative labor productivity of agriculture and the non agricultural sectors has economic significance in at least the following two aspects: First, the comparative labor productivity of agriculture is low and this is not suited to the relative proportion agriculture constitutes in national income and the relative proportion constituted by agricultural labor in the employment structure. Thus, with the large volume of real or potential surplus labor held up in agriculture, as soon as agricultural technology changes, we will see a multiplier effect which will push aside the agricultural population. That is to say, the raising of the relative labor productivity rate in agriculture has a very high elasticity in terms of excluding surplus agricultural labor. Second, in developing countries, if one wants to increase the ratio between comparative labor productivity in the agricultural and nonagricultural sectors, there are only two basic avenues: The first is to raise the relative contribution of agriculture to national income. This requires strengthened investment in agriculture by nonagricultural sectors. The second avenue is increasing the effectively employed population in industry. This requires that nonagricultural sectors, having full capacities in terms of capital and technology, absorb the surplus economic population from agriculture. These two avenues have a precondition. That is, the absolute level of the labor productivity of nonagricultural sectors must be raised to some degree. This is precisely the condition lacking in backward agricultural countries. The coexistence of a quite high exclusion elasticity and a quite low absorption capacity are what cause the emergence of the mobile labor problem in the process of economic structural change in countries at the initial stage of industrialization. It is precisely this problem which our country's economic development faces at present.

## II. The Special Nature of China's Mobile Labor at Present

Under the above-mentioned general historical background whereby structural changes produce mobile labor, our country's present mobile labor problem has the following special characteristics:

A. The mobile labor in our country's villages at present was not created by the loss of land but by the even distribution of land. The family contract system on the one hand raised agricultural labor productivity, resulting in the exclusion of surplus labor from agriculture at multiplier speed. On the other hand it expanded the peasants' power to control their own labor. Thus, under the guidance of income targets, there naturally arose employment flow. This was not because they had lost their land but because the phenomenon of mobile labor, given rise to by equal division of land, had its own special determining characteristics. First, the majority of the mobile laborers do not sever their links with the land and thus their movement, to a very large degree, is subject to the restrictions of the land, making it seasonal and unstable. Second, the mobile laborers in history who had lost their land were forced to leave their villages in order to find a livelihood. However, the mobile laborers of today who still have their land, prompted by higher income expectations, actively move in their quest for their goal of maximized income. Third, the contract system provides a social guarantee for mobile labor and mobility entails little or even no risk. This undoubtedly provides encouragement, on the structural level, to mobile labor. Fourth, the alternating of agricultural crop production periods and labor periods, means that in movement by peasants who still have their own land, and especially movement during the agricultural slack seasons, the opportunity cost is not high, or even zero. This must have a positive effect on the movement of peasants.

B. Because income maximization is the activity goal of millions of separate agricultural contract households, the movement stimulated by this goal will indeed be diverse, wide-ranging and dispersed in nature. As the criterion for movement is the earning of income, those who move will determine their direction of movement on the basis of their own competitive capacity. Thus, in the process by which peasants flow to the cities, on the one hand those peasants that monopolize skills will flow toward the central cities in developed regions, while the majority of the peasants will flow in accordance with "rent-seeking" norms. This forms a stepped flow, whereby peasants from developed regions move to the cities of underdeveloped regions and the peasants from underdeveloped regions move to the cities of undeveloped regions. This shows that the peasants flowing out of a region might contend, in terms of education and competitive capacity, with the urban residents flowing into the region. The claim that this counterflow is a process by which, in competition, the labor force "becomes strong", might not be as accurate as saying that it is a

process of "hurting the weak", thus producing economic, cultural and social problems which are even more complex.

C. The current mobile labor situation is different from the several large-scale flows of labor which have occurred since the establishment of the PRC. The labor flows in the past have mainly relied on power in two respects to bring them about: the first was organization by relying on administrative power; the second was reliance on the spirit of devotion to the cause and on education in ideals. However, the mobile labor of today has resulted from people making their own choices under the appeal of economic targets.

D. Movement of population during China's feudal period and under the traditional planning system basically did not accompany deep-going changes in the industrial structure. Flow of labor resulting from administrative actions and the rigidity of the industrial structure coexisted. The final result was that the rigidity of the structure eliminated the labor flow or the labor flow strengthened the contradictions of the existing industrial structure. The current labor flow is different. On the one hand it is a product of structural change. That is, there is a large volume of labor flowing out of existing industries and especially out of agriculture, while the newly emerging industries are gradually absorbing some of the labor. The problem is that this departure of labor and its absorption is, in the changing of a backward dual economy, manifested as serious imbalance. Thus, the contradiction whereby "unemployment" and "empty positions" coexist has become an outstanding problem. In another respect, due to many factors in the systems, structural and technology spheres, when peasants enter urban industrial sectors and modern tertiary industry sectors, they face a "high threshold" which they find difficult to cross. This forces the mobile laborers to seek an avenue in either of two ways. The first is to seek a township and small town enterprise in the manufacturing sector so that they can leave the soil without leaving the village, and thereby oppose the exclusion of surplus agricultural labor by the urban industrial sectors. The second is to choose, within urban tertiary industry, employment within a traditional, backward sector which no one else is particularly interested in. Thus, in the process of structural change, the movement of labor produces a "sub-sector," which is not in the strict sense secondary industry and not in the strict sense tertiary industry. It can be called the informal sector. This informal sector formed through structural change has a dual nature. It can create vigor for structural change and labor transfer, but can also bring disorder to economic life.

## III. Two Basic Views in Modern Economics on the Mobile Labor Problem

In modern economics, there are two basic views on the structurally induced movement of labor in the economic development process. One is the "dual economy development model under conditions of unlimited supplies of

labor" put forward by A. Lewis. It stresses the reliance on the accumulation of capital and the expansion of the industrial sector to absorb surplus rural labor.<sup>9</sup> The second is the "model of migration from village to city" put forward by M.P. Todaro. It stresses the role of the expansion of modern urban industrial sectors in absorbing labor, it further holds that the expansion of modern urban industry is insufficient to absorb surplus labor and it is thus necessary to increase investment in the rural areas, to increase the income and welfare benefits of the peasants and to improve the working and living conditions of the peasants. This will, it is held, resolve the problem of movement of surplus rural labor. Clearly, the former stresses the movement of surplus labor to the cities. The latter stresses the urbanization of the rural areas and local absorption of the labor which has drifted away from agriculture, and thus unifies analysis of the surplus rural labor problem and the urbanization of the rural areas.

The Lewis model is established on the following basic hypotheses: 1. The marginal labor productivity of agriculture is zero or even negative. That is, the movement of agricultural labor will not affect agricultural output; 2. The wages of the agricultural labor which transfers out are structural wages and their level is determined by per capita output level of agriculture; 3. The savings tendency of profits from urban industry is higher than the savings tendency of income from agriculture.

Proceeding from the three above-mentioned hypotheses, the Lewis model divides labor transfer during the process of industrialization into two stages. The first stage is one in which, on the basis of the first and second hypotheses, the cost of labor transfer is zero, the surplus agricultural labor is supplied to urban industry at a low cost and, under the dual system is an external fixed parameter. That is, this structural wage does not change. Lewis holds that as the marginal productivity of labor in industry is far higher than the wages of surplus agricultural labor, industrial development can continually draw low-cost labor from agriculture and obtain great profits from the disparity between the price of labor supply and the marginal productivity of labor. Also, on the basis of the third hypothesis, the savings tendency of industrial profits is high, the proportion of industrial profits used in reinvestment is great and this further strengthens the capacity of urban industrial development to absorb surplus rural labor. Thereby an accumulator effect is created. The process of the accumulator effect will only cease when the following two elements have appeared and achieved a suitable degree of development: 1. Following the transfer of surplus rural labor, the marginal productivity of agricultural labor will increase. If there is continued transfer of rural labor, it is possible that a shortage of agricultural products will appear and thereby cause the price of agricultural products to rise, resulting in an increase in the supply price of rural labor. 2. Following industry's absorption of surplus rural labor, the marginal productivity of industrial labor will decline, until it reaches a level where the marginal productivity of

industrial and agricultural labor is about the same. At that time, the dual economy will become a unified economy and the first stage of transfer of surplus rural labor will have been completed. After this, the issue of labor flow will no longer be a dual economy economic development issue but an issue where, according to neoclassical theoretical explanations, marginal productivity determines wage levels and thus guides the distribution of labor. This labor flow subsequent to the achievement of industrialization is referred to by Lewis as the second stage of labor transfer.<sup>10</sup>

The Todaro model provides a critique of the Lewis model. He believes that the Lewis model is excessively simplistic and has not considered the likelihood of rural labor being able to find fixed work in the cities at the wage levels they expect. In Todaro's view, the difficulty of rural labor in finding work after entering the city is very great, and thus in the economic development process, there may appear large numbers of unemployed wanderers. Thus, there is a need for a realistic employment theory model.

The Todaro model is established on the basis of the two following basic hypotheses: 1. The determining factor in the migration from the villages to the city is not the existing disparity in actual incomes, but the disparity between urban and rural anticipated incomes. 2. There are two variables determining the disparity between urban and rural anticipated incomes. First, there is the disparity between actual incomes in the urban and rural areas and second is the possibility of employment in the cities. The employment possibility question forms a clear difference between the Todaro model and the Lewis model. Lewis hypothesizes that when the rural residents migrate to the cities, there will not be any friction in urban employment and that urban industry will have sufficient capital accumulation to completely absorb them. Todaro does not agree. He believes that the migrants often have to wait a quite long period before they find stable employment and that this period of waiting affects their decisions about and actions of moving to the city. Based on this hypothesis, Todaro holds that when the anticipated net value of urban-rural income disparity is greater than zero, rural labor will flow into the cities. When the value is less than zero, the urban immigrants will move back to their villages. When the value is zero, there will be a balance between the two. The problem lies in how a developing country in a period of structural change is to achieve this balance in urban-rural migration. There are only two basic avenues: The first is to reduce the actual income of urban labor, or to reduce the probability of finding work in the city, or to effect both of these results together, so as to ensure that the overall anticipation of income from urban employment is reduced. The second is to increase the actual income of rural residents so as to increase the rural areas' capacity to absorb labor. Further, in connection with the two above-mentioned basic avenues, it is possible, through changing labor transfer cost value, to regulate the flow of labor. This can be achieved by increasing the risks and friction associated with labor transfer.

Strictly speaking, Lewis' and Todaro's models do not completely accord with our country's situation. The third basic hypothesis of Lewis' model is not completely tenable at the current stage in our country. First, in our country, the marginal labor productivity of agriculture is not zero as it is in the hypothesis. According to the hypothesis, in the process of the transfer of agricultural labor, the gross output of agriculture should, at least, not fall. However, in our country, on the one hand there is a large volume of surplus labor in the rural areas waiting to transfer and, on the other hand, since 1984 following the transfer of agricultural labor, the level of agricultural output has stagnated and declined. This shows that at least at present, seen in overall terms, the marginal productivity of labor is not zero. Further, Lewis spoke of agricultural labor being of equal quality. However, in the rural labor of our country the unequal quality is a very prominent characteristic. Those who move first or have a strong capacity to move are precisely those who have better qualities. This further affects the level of agricultural output. Second, the hypothesis of unchanging structural wages does not accord with our country's reality. In the process by which our country's rural labor moves toward modern industry in the cities or toward nonagricultural industries, the price of labor supply is increasing, and thus the wage costs of the cities and the township and small town enterprises are increasing. This has been particularly noticeable in the last few years and the wage levels of township and small town enterprises and the income levels of peasants who have entered the cities have become targets of competition for the staff and workers of urban state enterprises. These factors will all inevitably affect the profit levels and speed of accumulation of township and small town enterprises and urban state enterprises. Third, in respect of the hypothesis that urban industry profits have a higher marginal savings tendency and thus guarantee the expansion of urban industry and the continual absorption of rural labor, this phenomenon is not obvious in our country. At the present stage in our country, on the one hand funds are in very short supply and on the other hand the amount of labor which has been absorbed over the last 10 years through relying on the reinvestment of profits accumulated by enterprises has not been great. The peasants who have entered the cities have mainly been employed by self-funded enterprises or industries which do not require great investment. Further, in enterprise distribution, the consumption fund lead has greatly increased and nonproductive investment has skyrocketed. This has adversely affected the accumulation component of profits, and meant that the accumulation effect of industrial profits in drawing in labor has not been evident. The nonpracticality in China of the three above-mentioned hypotheses show that at the present stage reliance on the expansion of urban industry to resolve the labor transfer and mobile labor problems is not realistic.

At first glance it appears that Todaro's model is closer to China's reality, but a close examination will reveal that this is not so. First, he stresses the development of rural

industry so as to fully utilize rural resources and raise the level of peasants, as well as to reduce the centripetal attraction of cities, in resolving the mobile labor problem. This may be feasible in a small developing country with a scale of population, especially agricultural population, which is not large, and in which the employment structure differential between agriculture and non-agricultural sectors is not too great.<sup>11</sup> However this is not very realistic for a country like ours which faces a severe shortage of funds, has a huge population, and in particular a huge agricultural population, and in which there is a marked disparity between the employment structures of agriculture and the nonagricultural sectors. It is impractical for us to try, through increasing investment in agriculture, to increase the income level of the peasants and, by raising this level, to counteract the centripetal attraction of the cities, as the investment needed would be of a vast scale difficult to envisage. Second, in Todaro's negative avenue of resolving the mobile labor problem, he stresses increasing the movement costs for mobile labor, reducing the employment probability and reducing the anticipated income from urban employment, so as to increase the difficulties of labor transfer and increase the internal competition between mobile laborers and thus control the scale of mobile labor. It should be said that while this negative avenue of control is able to achieve a balance of migration between urban and rural areas, the balance will be achieved at the cost of social instability. Further, Todaro himself does not advocate this as a basic avenue. In China, the scale of mobile labor is very great and the scale of potential mobile labor is even greater. If we were to use this negative avenue to resolve the mobile labor problem, while in the short term a certain effectiveness might be achieved, the effects in terms of social instability are difficult to imagine.

On looking back at our country's attitude over the last 10 years toward the transfer of rural labor, it can be divided into two stages: First, there was conscious or unconscious movement toward the Lewis model and then, after the tightening last year, the attitude toward mobile labor consciously or unconsciously moved toward the negative avenue in the Todaro model, with the intention, through increasing the transfer costs for mobile labor and reducing the opportunities for urban employment, of "forcing" the mobile labor back home. It should be stated that neither of these extremes is desirable.

#### IV. Various Policy Choices in Resolving Our Country's Mobile Labor Problem

As the two basic views of the modern development economists on mobile labor are not suited to our country's mobile labor problem at the present stage, what policy measures need to be formulated so that we can overcome the current mobile labor problem which has been produced by economic track-changing? We believe that if we are to correctly recognize and understand this problem, we need to fully understand the background situations of two policies which are closely related to China's current situation and the mobile labor problem.

A. The background situation of the special system of labor movement at the current stage.

It should be recognized that whether we speak of Lewis or Todaro, and whether we speak of their theories or their policies, they have the private ownership system as a background. That is, they theorize that the modern industrial sector which will absorb the labor will be a capitalist privately owned economy. Under this system, the process by which the modern industrial sector draws in the surplus labor of the rural areas has, at least, two characteristics: 1. The process of drawing in mobile labor and the seeking of the goal of profit maximization by industrial enterprises is combined and thus enterprises, on the one hand, have the motivation to absorb labor and, on the other hand, they exclude or absorb labor in accordance with the demands of profit growth. What particularly needs to be pointed out is that, in enterprises under the conditions of private property rights, the savings tendency is high for large profits produced from low-cost labor, and the tendency to thus further absorb excess rural labor is also naturally high. However, regardless of whether we talk of the traditional public-ownership industrial enterprises or "contract system" enterprises formed during the reforms, this characteristic does not exist in our enterprises. As far as industrial enterprises under the traditional public ownership system are concerned, their employment needs are not determined by their own immediate interests. Thus, their pursuit of microeconomic benefits is not unified with the absorption of surplus labor. As far as the current contract system enterprises are concerned, on the one hand their property rights divisions are not clear and property rights restrictions are weak, and thus the income targets of staff and workers are strengthened while the enterprise's savings (accumulation) of income tends to decline. On the other hand, after the enterprises implement contracts, activities to maximize per capita income mean the excluding of absorption of surplus labor. Thus, regardless of whether we speak of before or after the reforms, it is not difficult to understand why our country's urban state enterprises have been very weak in terms of absorbing surplus rural labor. 2. In modern private industrial sectors, the process of absorption of labor which has drifted away from traditional sectors is a process by which the market competition between enterprises and labor moves toward a balance. Thus, the process by which industry absorbs mobile labor is on the one hand a spatial expansion of the market. That is, it is a process by which the modern economic system transforms the traditional economic system. On the other hand, it is also a process by which the labor market brings into play its self-regulatory function. That is, it is a process whereby economic strengths are brought into play. However, in our country it is not like this. Regardless of whether we speak of the traditional system or the present system subsequent to the reforms, a complete labor market is lacking. Thus, even though the urban industrial sectors are absorbing labor, it is not a process whereby modern economic relations transform traditional economic relations.

Rather, it is a process which shores up the barriers between the urban and rural areas. Further, the flow of labor between urban and rural areas is not a process of equal market competition. Peasants are unable to compete with the industrial system which receives strong support from state finances, and they can only passively receive the government's signals on administrative quantitative quotas. Thus, it is not difficult to understand why over the last 40 years and especially in the period prior to the reforms, the flow of labor from the rural areas to the cities in our country did not form a natural, sustained economic trend. Rather, what occurred were intermittent, sudden, and disordered flows of labor and sometimes even large counterflows.

From this we can see that in resolving the mobile labor problem in our country's economic development, the first policy choice faced is: Do we restrict mobile labor through regression under the traditional planning system or do we guide the mobile labor through rebuilding the socialist market mechanism? History and international experiences have shown that the first option has no future. If we do choose the second option, there would be two aspects of very difficult work: The first would be deepening the reform of urban enterprises and especially the reform of property relationships, and strengthening enterprises' motivation for accumulating their profits. This would increase industrial enterprises' capacity to absorb surplus labor. At the same time, on the basis of clarifying property rights divisions, industrial enterprises' profit goals and employment demand goals should be truly unified so as to form an interests motivation for enterprises to use our country's relatively cheap labor. The second would be to establish and perfect a market system, including a labor market system, so that the process of movement of labor becomes consistent with the course of development of the market and consistent with the process by which the modern commodity economy transforms and standardizes the traditional natural economy and product economy. At the same time, market forces should be relied upon to guarantee the continuity and stability of the transfer of labor and the process of structural flow of labor.

B. The special development background of labor transfer at the current stage.

In the process of economic development at the current stage in our country, the resolution of the mobile labor problem faces at least four special development background situations. These four development background situations pose difficulties for the resolution of the mobile labor problem but are also basic points of departure which must be considered in making policy choices in the process of resolving the mobile labor problem.

1. The contradiction between the conformity of the industrial structure and the employment structure and the raising of labor productivity. At present in our country, the structure of the primary, secondary and

tertiary industries does not conform with the employment structure of these industrial sectors. The raising of the level of secondary industry over the last 30 years has not been accompanied by the growth of the secondary industry employment structure. This shows that in these 30 years (and especially in the years before the structural reforms), the development of secondary industry has basically been carried out in a situation where the urban areas have been cut off from the rural areas and the urban areas have imposed blockades against the rural areas. If future development requires the pace at which the level of the industrial structures grows to be the same as the pace at which the level of the employment is raised, it will require that urban industry absorbs large volumes of rural labor and will also require that the speed of growth of the industrial labor force exceeds the speed of development of industrial production. However, this will mean that industrial labor productivity will decline or even mean that the industrial capital/labor intensity ratio will decline. It can be seen that in the process of economic development, we will face the contradiction between the unifying of the levels of the industrial structure and the employment structure and the raising of both industrial labor productivity and the capital/labor intensity ratio. If we truly want to resolve the problem of the transfer of rural labor, we believe that for a period (the industrial structure track-changing period), we need to give up the pursuit of per capita labor productivity targets and replace them with unit capital output targets and unit capital profit maximization targets. That is, in a situation of low labor costs, labor should replace material capital, so that the industrial sectors, in a situation of low labor productivity and a low capital/labor ratio, can raise unit capital profit rates. This will allow the process of labor transfer to maintain a basic uniformity with the microeconomic targets of industrial enterprises at a time when labor productivity is declining.

2. The contradiction between achieving the replacement of capital by labor and the carrying out of technological transformation and the realization of technological progress. The appropriate replacement of capital by labor faces three difficulties: The first is that the dual nature of technology is difficult to change. What is meant by the dual nature of technology is that advanced industrial sectors and those with links to foreign funds often adopt advanced technologies and engage in capital-intensive production, while traditional agriculture is usually labor-intensive.<sup>12</sup> The coexistence of these two types of technology in externally oriented and internally oriented economies may give rise to some rigidity. Thus, it will be difficult to effectively achieve the transfer of labor from agriculture to advanced industry. Second, the pricing conditions for replacing capital by labor are lacking. According to neoclassical development economics, if the industrial sectors are to be encouraged to further absorb surplus agricultural labor, there is a need to relatively reduce the relative price of labor (wages in relation to profit rates).<sup>13</sup> However, the development process in our country over the last 10 years has shown

that in industrial enterprises labor costs have risen at a faster rate than profits. This makes it difficult to encourage industry to actively replace capital with labor. Third, labor intensity and the general trend of technological progress are mutually contradictory. If, in our choice of technology, we take maximum absorption of labor as the main criterion, it will only lead to low unit capital productivity and low growth in future output. The three difficulties noted above show that, on the one hand, we must put great efforts into developing advanced industrial sectors and use these to absorb labor. On the other hand we need to soberly realize that industrial development itself will not naturally resolve the problem of surplus rural labor, and that developing industry through labor-intensive technology will only be able to overcome the "mobile labor" phenomenon within a limited scope.

3. The appearance, on a large scale of "sub-sector industry" or the informal sector, creating a contradiction between the transfer of rural labor and the true targets of dual economy changeover. Above it has already been noted that when rural labor transfers in our country, it basically moves to township and small town enterprises or into traditional, backward informal sectors or sub-sectors in the urban areas. If we use these two forms as our basic avenue of resolving our country's mobile labor problem, then a dual structure in the true sense, where there are both modern industrial sectors and traditional industrial sectors, and where there are capital-intensive industrial sectors and labor-intensive industrial departments, will continue to exist. Also a peasant-level population, in the true sense will continue to exist in large numbers. Not only this, but the instability and non-standard nature of the sub-sectors or informal sectors will mean that the nonagricultural workers who work in these sectors will be easily susceptible to unemployment due to the influence of economic cycles.

To find a basic way to resolve the mobile labor problem, there needs to be further development of the lines of thought in urban planning. Relying on the old industrial cities to carry the large volume of surplus agricultural workers is not an option. Developing new city groups may be an option and it might even be possible to form new large cities with populations numbering in the hundreds of thousands. In the process of establishing the new cities, special zones have great potential. The development of special zones may be a good method of absorbing surplus rural population. The necessary condition for this would be the levying of a tax on peasants who are willing to leave the villages and the land, and the use of the tax to maintain the normal construction and operation of the cities.

4. The contradiction between the urban and rural income expectation differential at the present stage and restraining mobile labor. Peasants will only go to the cities while there is a differential between urban and rural income expectations. This conclusion by Todaro is correct. The present income differential and expectation differential between urban and rural areas are produced



by structural elements in two respects. The first is the agricultural product price differences and the second is the large subsidies which the state financial administration provides to urban residents. Those mobile laborers who remain in the city do not look forward to receiving financial subsidies, but the labor income they receive after entering the city to a large degree makes up for the price differential between industrial and agricultural products. The problem lies in the fact that the income expectation of the peasants who enter the cities to work or engage in business conceals an amount for the subsidies of urban residents (including nonstaple foodstuffs subsidies and residential subsidies). Even individual operators who earn over 10,000 yuan a year, when they see state enterprise employees enjoying low-cost housing, sigh that they themselves are not doing well enough. As soon as their income goal reference system includes subsidy elements, there is produced a great disparity with the income expectations they had while still in the village engaged in agriculture, and this disparity further draws new peasants into the cities. It can be seen that while financial subsidies do not directly determine the migration between the rural and urban areas, indirectly they are a factor promoting a large-scale flow of peasants into the cities. If the government really wants to resolve the "mobile labor" problem, it should get to grips with the subsidies which constitute over 50 percent of local financial expenditure, and gradually establish an equal business relationship between the urban and rural areas.

In reducing the disparity between the income of rural residents and their income expectations for the cities, seen from the long-term angle, we should actively increase the income and welfare levels in the rural areas and, at the same time, deepen and readjust the urban financial reform and income structures. Seen from the short term, and especially in extraordinary periods, we should adopt measures which would increase the costs of rural labor transfer, including the levying of an agricultural land tax on those who leave farming and enter the cities (so that in entering the city there is an opportunity cost and risk). Also a tax could be levied on the use of urban land and public facilities. Thus, at the same time as opening an urban land and public facilities market for the service of the peasants, it would increase urban rent income. Also, there should be strengthened registration and management of peasants who enter the cities and a stringent individual income regulatory tax. Of course, these measures to increase the costs of labor transfer would only be transitional measures.

#### Foonotes

1. Carried in "International Labor Review" 1935, No. 7 pp 5-18.
2. Clark, C., *The Conditions of Economic Progress*, New York, St. Martin's Press 1940, chapter 5.
3. This formula is taken from *The Current Situation and Trends in the Industrialization of the Various Countries*

*of the World* CHINA FOREIGN TRANSLATION PUBLISHING HOUSE, 1980, p 90.

4. On the specific calculations and statistical analysis, see Liu Wei [0491 0251] and Yang Yunlong [2799 0061 7893]: "An Analysis of China's Industrial Economy" CHINA INTERNATIONAL BROADCASTING PUBLISHING HOUSE, 1987, Chapter 1.

5. This formula was put forward by the South Korean scholar Jin Ying-ji [6855 8714 1015] in "Changes in the Industrial Structure and Science and Technology" in *Collected Translations on Economics* 1981 No 2.

6. For the specific calculations and statistical analysis, see Liu Wei and Yang Yunlong; *An Analysis of China's Industrial Economy*, Chapter 1.

7. Ibid.

8. See Kuznets; "The Quantitative Aspect of State Economic Growth" cited in Yang Zhi [2799 3112]; "An Introduction to Industrial Economics" CHINA PEOPLE'S UNIVERSITY PUBLISHING HOUSE, 1985 p 51.

9. Another model which is similar to the Lewis model is the Fei-Ranis model. The difference lies only in that the latter also stresses the relationship between the degree and speed of rural labor transfer and the development of agriculture itself. See AMERICAN ECONOMIC REVIEW of September 1961: J.C.H. Fei and G. Ranis; "A Theory of Economic Development."

10. See Lewis, A., "Economic Development with Unlimited Supplies of Labor" (Chinese translation) in "Selected Foreign Articles on Modern Economics", Chapter 8, Commercial Press 1984.

11. Todaro's model is actually the results of research on small, undeveloped countries such as Kenya.

12. See Higgins, B., *Economic Development*, 1968, New York pp 17-20 and pp 296-305.

13. See Stewart, Frances, *Technology and Unemployment*, second edition, Macmillan, London 1978 pp 46-50.

#### Shanghai Practices Overall Pension Planning

HK1408094689 Beijing RENMIN RIBAO in Chinese  
8 Aug 89 p 2

[Report by Dai Luguo 2071 1774 0948 and Xiao Guanggen 5618 7070 2704: "Shanghai Practices Overall Social Planning of Retirement Pension"]

[Text] Now some 13,000 enterprises, 3.5 million in-service staff and workers, and 1.26 million retired staff and workers in Shanghai have been placed under a system of overall social planning of retirement pension. Now in Shanghai, the number of staff and workers under



the system of overall social planning of retirement pension accounts for 81 percent of employees in the enterprises under the ownership of the whole people and accounts for 85 percent of employees in the enterprises under collective ownership. Now Shanghai has become one of the Chinese cities that have widely practiced overall social planning of retirement pension funds.

Shanghai began practicing overall social planning of retirement pension funds in 1986. The funds under overall social planning in Shanghai have been increased annually in a proportionate way in accordance with the principle of "fund expenditure determining fund raising and retaining a small amount of surplus" and in the light of the actual conditions of various enterprises as well. This year, the total amount of retirement pension funds under overall social planning in Shanghai, which are paid by the enterprises under the ownership of the whole people, will account for 25.5 percent of the total amount of the wages paid by these enterprises. In light of their specific conditions, the enterprises under the collective ownership in Shanghai will also place some of their retirement pension funds under the overall social planning. The widespread enforcement of overall social planning of retirement pension funds in Shanghai has already received positive responses from people of all walks of life.

The departments concerned in Shanghai municipality are also actively taking measures to socialize Shanghai's old-age security system and retirement pension fund management system to gradually establish an old-age security system for retired staff and workers in the foreseeable future when conditions become ripe.

## TRANSPORTATION

### Shanghai To Build New Port Area

OW2408050889 Beijing XINHUA in English  
0100 GMT 24 Aug 89

[Text] Shanghai, August 24 (XINHUA)—Shanghai, China's largest industrial center, is to upgrade its existing Huangpu Port facilities and build a new port area, and a general development plan for this purpose has been basically completed, according to Director of the Shanghai Port Administration Zhang Yan today.

To date, the port facilities in Shanghai are concentrated along the Huangpu River which passes through the city center. About 83.5 percent of its 120 kilometers of banks have been used. The utilization rate for deep-water sections has reached 98.3 percent, resulting in crowded traffic conditions on the river.

According to the new development plan, between 1991 and 2000, Shanghai will build forty 10,000-ton berths and a number of small and medium-sized ones at a new port area to be opened at Waigaoqiao, Luojing, and Jinshanzhui on the southern bank of the Chang Jiang river outlet to the sea and north of Hangzhou Bay. The

plan also calls for upgrading 20 existing berths and expanding the No 2 Freight Yard.

At the same time the Huangpu River's navigation channel will be dredged. Around the year 2000, it will be 7.5 to 8 meters deep and 58,000-ton container vessels will then be able to enter the port at high tide.

Construction of fifteen 10,000-ton berths, three berths for barges and 16 others for boats called for in the Seventh 5-Year Plan (1986-1990) will be completed next year.

It is estimated that Shanghai Port will have a total freight loading and unloading capacity of 197 million tons by 2000 to serve the needs of economic development. If all the planned port facilities are built as scheduled, they should basically meet the expected demand.

By 2000 Director Zhang Yan said Shanghai will be a large comprehensive port with a big passenger, foreign trade commodities, containers, coal and cargo transportation capability.

## AGRICULTURE

### Per Capita Income of Farmers Increases

OW1408230989 Beijing XINHUA in English  
1141 GMT 14 Aug 89

[Text] Beijing, August 14 (XINHUA)—A sample survey showed that the per capita income of Chinese farmers in the first six months of this year was 291 yuan, 58 yuan more than the same period of last year.

The survey, covering 66,600 rural families in 30 provinces, autonomous regions and municipalities across the country, was conducted by a rural social and economic investigation team.

In the first half of this year, farmers' average cash income totalled 153.6 yuan, 31.2 yuan more than the same period of the previous year. Of the total, 60.1 yuan was earned by selling agricultural products, 70.6 yuan from animal husbandry products and 22.4 yuan from rural township enterprises.

Farmers' per capita cash income from the processing, construction and transportation industries and labor, commerce, catering and service trades amounted to 64.4 yuan, 14.6 yuan more than the same period in 1988.

The survey also revealed income gaps between farmers in different parts of the country. In Guangdong and Zhejiang Provinces and Shanghai Municipality the per capita cash income of farmers was over 500 yuan in the January-June period, an increase of 181.4 yuan, 176 yuan and 112.4 yuan respectively. While in Gansu Province and the Tibet Autonomous Region where the average per capita cash income of farmers is the lowest in the country, the per capita income increased by less than 20 yuan.

### Statistics Show Increase in Livestock Production

OW1208133289 Beijing XINHUA in English  
0930 GMT 12 Aug 89

[Text] Beijing, August 12 (XINHUA)—Livestock, such as pigs, cattle and sheep, as well as their products increased in the first half of this year, according to a survey by the State Statistics Bureau.

The survey says that China was raising 137 million pigs at the end of June, an increase of two percent over the same period last year, while the number of cattle and sheep increased by 3.3 and 9.2 percent after 12 years of steady growth.

At present, the bureau says, most large and medium-sized cities in China have ample meat supplies and can meet the needs of urban dwellers for the remaining half of the year. The bureau attributed the growth to the nationwide effort to fill the citizens' food basket, starting this year.

According to the Ministry of Agriculture, China has invested 200 million yuan in production centers around the major Chinese cities. Every locality has added investment to that of the central government. The municipalities of Beijing, Tianjin and Shanghai alone have added 800 million yuan for construction of the centers, the ministry said.

Meanwhile, China has popularized technology to boost livestock production. Efforts have also been made to curb the sharp increase in pig raising and push cattle and sheep growth as a way to save grain to feed the country's large population.

### Per Capita Cash Income of Rural Households

HK1108105989 Beijing CEI Database in English  
11 Aug 89

[Text] Beijing (CEI)—Following is a list showing per capita cash income of China's rural households in the second quarter of 1989:

Unit: Yuan			
		4-6/1989	4-6/1988
Total Income		159.20	135.65
1. Income from collective		10.30	7.69
2. Income from cooperative		0.68	0.65
3. Income from farm products and by-products		72.52	62.93
4. Other non-production income		45.89	36.92
5. Income from savings and loans		29.81	27.46

### Problems Noted in Beijing Suburb Farm Results

SK3008044689 Beijing City Service in Mandarin  
0900 GMT 16 Aug 89

[Summary] On 15 August, participants in the on-going 12th Standing Committee meeting of the 9th municipal

People's Congress heard the report on grain production in the suburbs of Beijing, delivered by Vice Mayor Huang Chao.

During examinations and discussions, Standing Committee members attached importance to grain production in the suburbs of the municipality and expressed the belief it merits our attention. Grain production increased from 420 million kg in 1949 to 2.35 billion kg in 1988. The municipality reaped bumper grain harvests for 10 consecutive years. However, the suburbs of the municipality still have problems in grain production and do not have a full understanding of the basic state policy on cherishing each and every inch of land, and there has been lax management. After liberation, the arable land in the suburbs of Beijing was reduced by more than 1.72 million mu, five times more than the current arable land in Huairou County. Due to the excessive and rapid population growth, the contradictions between more population and less arable land become more acute. There are still phenomena of paying attention to utilizing arable land but ignoring the conservation of farmland. Due to the failure to make sufficient investment in agriculture, the municipality does not have full reserve strength for grain production. The peasants achieve low results from engaging in agriculture, due to the price hikes of farm tools, chemical fertilizer, and plastic sheds. As a result, the peasants associate suffering losses with planting grain.

The Standing Committee members also examined and discussed the draft resolution on further developing grain production.

### Beijing Establishes Agricultural Development Fund

OW1608225989 Beijing XINHUA in English  
0759 GMT 16 Aug 89

[Text] Beijing, August 16 (XINHUA)—Beijing has established an agricultural development fund to increase production.

According to the municipal government, the fund, targeted to reach 120 million yuan (about 32.4 million U.S. dollars) by year end, will be used directly in grain and by-product production, crop improvement, spreading new technology, and subsidizing vegetable production. Part of the fund will also be used for water conservation and flood control projects, reclamation and improvement of low yield fields.

The funds will come mainly from state taxes retained by Beijing and its rural counties, and taxes from township enterprises and private enterprises.

### Bumper Harvest Achieved in Hainan

OW1208181189 Beijing XINHUA in English  
1336 GMT 12 Aug 89

[Text] Haikou, August 12 (XINHUA)—Hainan Province in southernmost China achieved a bumper harvest in the first half of this year.

Its total output of grains in the period reached 839 million kilograms, the highest in the past 10 years.

The output of early rice amounted to 697 million kilograms with the per-hectare output reaching 3,825 kilograms, 217.5 kilograms more than the highest record in the history of the province.

Hainan, a newly established province on the second largest island of China, has always been insufficient in grain supplies. Every year, the province has to import over 350 million kilograms of grains from the mainland.

Starting from last year, the governments at various levels of the province have paid more attention to the development of agriculture. They have formulated a series of policies to encourage the peasants to reclaim waste land, apply manure and farm scientifically to increase the per-unit output.

By the end of July, Hainan Province had overfulfilled the state quota for the purchase of summer grains.

### **Heilongjiang Suffers Serious Drought**

*OW1608204289 Beijing XINHUA in English  
0717 GMT 16 Aug 89*

[Text] Harbin, August 16 (XINHUA)—Northeast China's Heilongjiang Province has been stricken by a serious drought, affecting more than 2.33 million ha of farmland or 41.6 percent of the grain and soybean cultivation in the province this year.

According to the local meteorological department, 32 counties have had an average rainfall of only 30 mm this month, 80 percent less than in the same period of normal years. But the average temperature is as high as 30 degrees centigrade.

### **Henan Tackles Price Increases in Rural Areas**

*HK2908132189 Zhengzhou HENAN RIBAO in Chinese  
11 Aug 89 p 1*

[Report by Xiong Zhibo 3574 1807 3134: "Provincial Government Telephone Meeting Urges Curbing Momentum of Price Hikes in Rural Areas"]

[Text] "Governments at various levels in the province, and the departments concerned must attach great importance to strengthening management of prices in rural areas, and curb as soon as possible, the momentum of price hikes in rural areas, in order to create conditions for realizing the goal of price control this year."

This was an urgent task proposed by Qin Kecai, member of the Standing Committee of the provincial party committee, and Vice Governor of the province, on 9 August during the "Provincial Telephone Meeting on Strengthening Management of Prices in Rural Areas."

Comrade Qin Kecai said in the telephone meeting that at present, on the whole, prices in our province are comparatively stable, and the people's panic about price

increases have been eased. The acute problem is that the total index of retail prices is still increasing rapidly. Compared to the same period last year, total index of retail prices in the province in the first half of this year increased by 27.2 percent on average, which is 1.7 percent higher than the average increase in the country. One of the acute characteristics is that price increases in the rural areas are bigger than those in urban areas. Averages for the first half of this year indicate a 29.2-percent increase in prices in the rural area of our province, and 24.1 percent in the urban area. The excessive price increase in the rural area has become the major force behind a big increase in the total price index in the province.

Comrade Qin Kecai said the provincial government thought that bigger price increase in rural areas was due mainly to three reasons: First, this year, in the rural market, there has been a bigger price increase for industrial consumption goods and means of agricultural production. Second, the level of prices in the base period for calculating price index in rural areas was comparatively lower and, when actual prices increased this year, the relative figures that were reflected on the price index were much bigger. Third, management of prices in rural areas has been weak. In a certain number of counties and towns, the governments have not made control of price increases an important item on their agenda. The strength for managing prices in rural areas has been very weak, and it was very much laissez-faire. Because of the imperfect price control system in rural areas, cheap commodities became expensive ones after a few rounds of circulation.

In order to earnestly strengthen price management in rural areas, comrade Qin Kecai demanded that four tasks must be done well: First, strengthen leadership of work in the rural areas. Governments at various levels and the departments concerned must fully understand the grim nature of the trend of prices in the rural areas and the urgency in controlling price increases. The leading comrades of county and town governments must personally grasp the work, and practice the executive chief responsibility system in order to resolutely change the weak, relaxed, and dispersed style of price management in rural areas. Second, step up coordinated efforts in managing prices in the rural areas. The county departments responsible for prices, commerce, supply and demand, grain, and industry, and town and township enterprises should coordinate closely and adopt comprehensive measures to check price increases. Third, step up management of prices of key commodities. At present, the key points in strengthening management of prices in rural areas are: Control the procurement prices of major agricultural products, such as grain, tobacco, cotton, and oil and control the selling prices of the major means of agricultural production, such as fertilizer, pesticide, plastic sheeting for agricultural use, and diesel for agricultural use. Also, it is necessary to control the prices of industrial consumer goods, construction materials, and fuels in the rural area, and to check the trend of a rapid

increase. Fourth, step up supervision and inspection of prices in the rural area. From now on, county and town governments must organize departments concerned to quickly launch an inspection of prices in the rural area, and in particular, to grasp well the inspection of prices of means of agricultural production during the wheat sowing period. Various cases of price violations must be seriously handled, and the phenomena of raising prices at will must be checked, so as to maintain a rural market with basically stable prices.

During the telephone meeting, the leading comrades of the provincial pricing bureau, provincial federation of supply and marketing cooperatives, provincial commission for business administration, provincial administration for industry and commerce, and provincial grain and foodstuffs bureau exchanged ideas on how to accomplish the important task proposed by Comrade Qin Kcai representing the provincial government, and made arrangements for concrete work to be carried out in their respective departments.

#### **Economy Improving in Henan**

*OW2608110689 Beijing XINHUA in English  
0715 GMT 26 Aug 89*

[Text] Beijing, August 26 (XINHUA)—Henan Province's industrial output value rocketed 228.4 times and agricultural output value jumped 5.1 times between 1949 and 1988, the PEOPLE'S DAILY reported today.

Most noteworthy are the achievements in agriculture in the central China province, the paper reported.

Grain output increased from 7.1 million tons in 1949 to 30 million tons in 1988, and the outputs of cotton and edible oil increased 9.1 times and 2.9 times, respectively. The province now leads the whole country in wheat, sesame and tobacco production, while the outputs of cotton and soybean rank second and the total grain output takes fourth place in China.

In forestry, 59 of the province's 94 counties have reached the afforestation standard stipulated by the Ministry of Forestry, and tree belts now crisscross two million ha in the eastern part of Henan, forming the biggest artificial forest in China.

Animal husbandry has also developed rapidly. By the end of 1988, the province had 10.69 million head of cattle and other draught animals, the most of all the agricultural provinces in China. In addition, Henan marketed 9.2 million pigs last year.

Rural industries employ 8.4 million laborers and their output value has already surpassed that of the agricultural output value.

Though the per capita income for rural residents is much lower than the national average, the province's 160,000 sq km not only feeds its 81 million people but also provides grain and other farm produce to other parts of China.

#### **Large Area of Farmland Lies Idle in Jiangsu**

*OW2408134689 Nanjing Jiangsu Provincial Service in Mandarin 0915 GMT 20 Aug 89*

[Text] There are large areas of farmland lying idle in some localities in Jiangsu Province. The situation is particularly serious in some economically more developed counties and cities in the eastern and southern parts of Jiangsu. A provincial rural sample survey team recently conducted an investigation in 13 counties and cities in the province, including Liuhe, Wuxi, Wujin, Zhangjiagang, and Haimen. Of a total of 8,817.3 mu of farmland investigated, 699.6 mu or 7.9 percent were found lying idle. Of 2,020 rural families surveyed, 723 families, or 23.9 percent, were leaving their land idle.

At present, the per capita area of farmland in Jiangsu Province is only 1.06 mu, and there is a serious shortage of land for growing grain, cotton, and oil-bearing crops. For this reason, governments at various levels should immediately take measures to prevent farmland from lying idle.

#### **Jiangsu Aquatic Products Output**

*40060715e Nanjing XINHUA RIBAO in Chinese  
22 Jul 89 p 1*

[Summary] In the first half of 1989, output of aquatic products in Jiangsu Province totaled 383,500 tons, a 10.6-percent increase over the same period in 1988. Output of saltwater products was 134,800 tons, an 8.5-percent increase; and output of fresh water products was 248,700 tons, a 13.5-percent increase.

#### **Shaanxi Exports More Farm Produce**

*OW2608121889 Beijing XINHUA in English  
0749 GMT 26 Aug 89*

[Text] Xian, August 26 (XINHUA)—Northwest China's Shaanxi Province exported \$30 million-worth of farm produce in the first half of this year, 50 percent over the figure in the same period last year.

This year's export value is expected to top \$60 million.

The province has built 18 export-oriented production bases. Products such as tea, soybean, traditional Chinese medicine, and handicraft articles find ready markets abroad.

#### **Shandong Province Promotes Conduit Irrigation**

*OW2908232689 Beijing XINHUA in English  
1331 GMT 29 Aug 89*

[Text] Jinan, August 29 (XINHUA)—China's coastal Shandong Province is leading the country in conduit irrigation.

Bai Yongnian, senior engineer and deputy director of the provincial Water Resources Bureau, said that one million ha of farmland in Shandong receives conduit irrigation—one-fourth of the irrigated area in the province.

Shandong is a water-scarce province, with per capita water availability only one-sixth of that of the national average. It has been suffering from prolonged droughts since the beginning of the 1980's.

The expansion of conduit irrigation has significantly relieved this situation. Compared with ditch irrigation, Bai explained, pipeline irrigation every year saves more than one billion cu m of water and 150 million kwh of electricity. It saves over 10,000 ha of land and increases crop yields by 935,000 tons.

### Summer Grain Output Up in Shandong

*SK2508051989 Jinan Shandong Provincial Service in Mandarin 2200 GMT 22 Aug 89*

[Summary] According to the latest data provided by the provincial Statistical Bureau, our province's summer grain output reached 15.82 billion kg this year, an increase of 9.7 percent over last year, or an increase of 180 million kg over the record year of 1986. Among the province's 59 million mu of wheat fields, 70 percent of those areas increased their output over last year. The province's average per-unit area yield of wheat reached 249.14 kg. Thanks to the sufficient water irrigation, areas along the Huanghe River witnessed a great increase both in per-unit area yield and in the total output of wheat.

### Shandong Aquatic Output

*40060726b Beijing JINGJI RIBAO in Chinese 21 Aug 89 p 2*

[Summary] In the first half of 1989, gross output of aquatic products in Shandong Province was 493,000 tons, a 10.5-percent increase over the same period in 1988.

### Protoplast Regenerative Plants Bred in Shanghai

*OW1308062189 Beijing XINHUA in English 0131 GMT 13 Aug 89*

[Text] Shanghai, August 13 (XINHUA)—Chinese scientists here have succeeded for the first time in the world in breeding some protoplast regenerative plants of sorghum, wild soybean, and millet, a project internationally acknowledged as a difficult one.

Scientists at the Shanghai Institute of Plant Physiology under the Chinese Academy of Sciences selected in 1987 seedlings of two sorghum strains by using the cytogene engineering. They established clones with the embryonal tissues of the seedlings and then separated protoplasts from the clones.

The scientists cultured the protoplasts and got 58 regenerative plants of sorghum. Then, they transplanted the plants in the earth, which have grown to a height of more than 66 centimeters.

Meanwhile, the scientists made a success in breeding 24 protoplast regenerative plants of wild soybean through culturing protoplasts separated from unripe wild soybean leaves. Some of the plants have been transplanted in the earth.

The scientists have also succeeded in breeding a batch of protoplast regenerative plants of millet through culturing protoplasts of millet embryonal tissues. After being transplanted in the earth, the plants are now growing well.

Previously, Chinese scientists have succeeded in breeding protoplast regenerative plants of rice, wheat, corn, sweet potato and soybean.

### Shanghai Sets Up Domestic Animal Production Center

*OW3108020689 Beijing XINHUA in English 1409 GMT 30 Aug 89*

[Text] Shanghai, August 30 (XINHUA)—A domestic animal production center, including 328 pig farms and 97 chicken farms, was recently set up on the outskirts of Shanghai.

A local official said that the center will enable the city to produce 400,000 more pigs and 29 million more kg of eggs each year as soon as it goes into full operation.

The official also said that the establishment of the production base will increase the city's self-supply ratio of pork from 30 percent to 40 percent, and of eggs from 75 percent to 85 percent.

There are more than 1,000 pigs in each pig farm, and 20,000 to 200,000 chickens in each chicken farm at the center, according to the official.

### Sichuan Farmers Collect Agricultural Funds

*OW2708001089 Beijing XINHUA in English 1001 GMT 26 Aug 89*

[Text] Beijing, August 26 (XINHUA)—In the past 2 years farmers in Sichuan Province have collected 275 million yuan to develop agriculture. This is double this year's allocation by the province for the same purpose.

Such funds, which are paid out in the form of interest-free or low-interest loans, have been accumulated by village- and township-run undertakings from recovery of debts, from payments for use of land, rural surplus incomes, special rural taxes and individual share purchases.

By the end of June this year, Sichuan had set up 3,148 such co-operation funds at the township level. They allocated 210 million yuan for agricultural production

during the first half of this year, thus greatly promoting rural development of commodity production and exploitation of rural resources.

During the planting season this spring, 62 million yuan in co-operation funds were used to buy seeds, chemical fertilizer, pesticides and farming tools, repair water-pumping facilities and develop agricultural, forestry, livestock breeding, sideline production, and fishery projects.

#### **Yunnan Livestock Production**

*40060726a Kunming YUNNAN RIBAO in Chinese  
11 Jul 89 p 1*

[Summary] In the first half of 1989, pork output in Yunnan Province totaled 336,400 tons, an 11-percent increase over the same period in 1988. At the end of June, the number of hogs in stock was 18,627,700, a 4.2-percent increase over 1988. From January to May, the government procured 829,100 hogs, an 8.9-percent increase. At the end of June, the number of sheep in stock was 7,321,400, a 3.4-percent increase over the same period in 1988. The number of large domestic animals in stock was 9,266,600, a slight increase over the same period in 1988.

**Characteristics of Economic Crimes Described**

40050619 Beijing FAZHI RIBAO in Chinese  
3 Jul 89 p 3

[Article by Hu Shuxing 5170 2579 5887: "The Characteristics of Economic Criminal Investigations Initiated by Procuratorial Organs"]

[Excerpt] [Passage omitted] Judging from the component of the structure of a case, economic criminal investigations initiated by procuratorial organs have the following characteristics:

1. The subjects of cases are mostly state employees, employees of collective economic organizations, and persons entrusted to carry out public businesses. Of the 624 economic criminals whose cases were investigated and closed by the people's procuratorial organs of Beijing Municipality in 1985, 387 used to be party and government officials, accounting for 62 percent of all cases closed. Most of these people have special knowledge in law, economics, finance, taxes, or in trade, accounting, and printing. They had actual power of various kinds, a powerful "network of connections," and "layers of protection."
2. The objects of cases are material things, not people, and the number of victims is large but unclear. A few categories of criminal cases were committed in view of material things, and the scope of interests they infringed upon has exceeded that of individuals and reached that of collectives or the public.
3. Motives for such crimes have neither political nor vindictive, retaliatory, or sexual overtones. Most of them are money-related. From the time the crime is conceived to the time it is carried out and even until establishment of a pact to shield each other or destroy evidence, criminals have to plan carefully. Therefore, they have nothing to do with the "crimes of passion."
4. This kind of crime takes place over a long period of time and occurs on a frequent basis. This characteristic shows precisely how criminals hanker after personal gains. Some cases are highly inconspicuous, show very little sign of violation of law, and are thus hard to detect. This creates objective conditions for criminals to continue to commit crimes. Some can commit up to a hundred crimes.
5. Where the crime is committed is often not the place where the results show up. Such crimes involve many departments, locations, and scenes that are unclear. Due

to the lack of material evidence and because things change as time passes, most of these scenes have no investigation value.

6. Criminals are very surreptitious and cunning in such offenses. They are highly intelligent and deceitful. Some use their accounting and bookkeeping skills to willfully conduct "plastic surgery to balance income and expenditure" and quickly conceal or destroy the evidence of crime. Some play tricks outside the books. They use multifarious means including commission and middleman's fees to steal things and money from the state or they take bribes and use "normal" economic and business relations to cover up their acts. Many concoct various pretexts to use public funds and even specially-marked state funds and property for illegal purposes or to evade and refuse to pay taxes. Some use advanced scientific and technological devices to commit crimes. For example, they use photomechanical process and laser photocomposition techniques to produce fake trademarks and mix them with genuine ones to deceive consumers. Others use computers as a means to commit thefts.

7. Most criminals leave written evidence after committing a crime. In these cases, there are no signs of violent material evidence such as bloody bodies and sickening semen and blood stains, but a large amount of written evidence can be found everywhere. Such written evidence covers a wide range of materials, including certificates, report forms, and books altered and forged by criminals; telegrams, telephone records, letters, notes, and diaries; and deposit forms and "IOU's" that reflect criminal income. Study shows that in some major theft and tax evasion and resistance cases, written evidence accounts for over 70 percent of all evidence. In some cases written evidence is the only kind of evidence.

8. The consequences of such crimes are very serious. The economic damage they caused is overwhelming as compared to that of ordinary criminal cases. Currently, the proportion of major and important cases is increasing every year, and so is the amount of money involved. Among the solved cases, one involved 4 million yuan of theft, one involved over 1 million yuan of bribes, and one involved the misuse of 3 million yuan of public funds. There was even a major case involving an individual household evading 360,000 yuan in taxes. Many international scholars believe that the material damage caused by economic crimes exceeds the total damage caused by all other criminal activities and that the average damage of an economic crime also far exceeds that of other kind of crimes. This characteristic has also been confirmed by the investigation of economic crimes initiated by procuratorial organs. [passage omitted]

### Submarine-Launched Ballistic Missile Program Discussed

40050585b Beijing BINGQI ZHISHI [ORDNANCE KNOWLEDGE] in Chinese No 3, 15 May 89 pp 18-19

[Article by Zheng He 6774 3109: "Submerged-to-Land Carrier Rockets"]

[Excerpts] The carrier rocket is a carrier tool that can send both satellites and manned spacecraft into orbit and that can also accurately send nuclear missiles of enormous power to enemy target areas thousands and even more than 10,000 km away. When used to launch such spacecraft as satellites and airships, they are called "aerospace booster rockets," and when used to launch nuclear warheads, they are customarily called "nuclear missiles." During the development stage, they are invariably called "carrier rockets."

By 'submerged-to-land ballistic missiles' is meant ballistic missiles that are launched from submarines below the surface of the water to attack enemy ground targets. Why would we want to put missiles below the surface of the water for launching? This is because exposed, land-based missile bases and their underground launch wells are easily discovered by opposing reconnaissance satellites, which greatly threatens the storage and launch security of missiles. For this reason, underwater motorized storage and launch have become an ideal means. But because submerged missiles are launched while submarines are moving, the launch is much more difficult and complex than by land. When the missile is launched, it shoots out of the launch tube by either a compressed air or gas firing system, enabling the missile to reach launch speeds of about 45 meters per second. After emerging from the launch tube, it flies vertically from underwater, breaking the surface of the water, at which time the missile engines are ignited, and it proceeds along the regulated flight path toward the target. Underwater missiles usually use solid fuels, and are composed of a warhead, solid-fuel rocket engine, and flight-control system. Because this kind of missile is launched from several meters below the water from a moving submarine, and the guided missile nuclear submarines are known as mobile "underwater launch wells" have such advantages as great endurance, and their capacity for assault and survivability are so great, over the past few decades some of the more advanced countries have had their eyes on the ocean that covers 70.9 percent of the earth's surface. They have competed with each other, regardless of cost, to use their country's most advanced scientific and technical achievements in developing submerged carrier rockets and their underwater launch devices—guided missile nuclear submarines. In addition to China, four other nations in the world have developed or been equipped with submerged ballistic missiles. [passage omitted]

In the early 1960's China began developmental research on nuclear submarines and carrier rockets. During the

mid-1960's, submerged carrier rocket system development efforts went into full-scale operation. On the basis of successful development of nuclear submarines and experience gained through land-based launch tests of submerged carrier rockets, in October 1982 China first used a test submarine to successfully carry out tests of underwater launches of submerged carrier rockets. China's first generation of solid-fuel carrier rockets, developed entirely by our own efforts, went through water phase, control phase, and passive phase flights, accurately landing on the predetermined ocean site. Measurement equipment in the forward and rear regions promptly tracked and traced the entire process of the flight path, gathering a great deal of invaluable data. This was yet another major achievement obtained in the field of high-level national defense science and technology following successes with the atomic bomb, the hydrogen bomb, long-range booster rocket tests, and the launching of satellites.

The success of China's first test of a submarine underwater-launched submerged carrier rocket created quite a stir in the world. One country after another issued comments and praise for this eye-catching, magnificent feat. A comment in the American COMMUNIQUE OF NAVAL ASSOCIATION [HAIJUN XUEHUI HUIBAO] said, "It has become quite clear that the PRC is about to become the fifth nuclear world nation to possess an ocean-based deterrent... This not only complicates the strategic power assessments of the Soviet Union, but of the United States, as well." UPI commented, "The successful development by China of submerged carrier rockets means that the Chinese Navy now has ocean attack capability, and that it is no longer limited to naval defenses."

In the fall of 1988, another fine harvest came our way, as we used the guided missile nuclear submarine we had developed on our own to once again carry out an underwater launch test of a submerged carrier rocket to a predetermined ocean site. In comparison with the 1982 underwater submarine launch, the occasion of this test was a greater breakthrough technologically. It opened the way for a structural deployment of China's strategic nuclear weapons that incorporates both land- and sea-based weapons, and is a new starting point for China's strategic missile enterprise. Not only does this have important significance for the strengthening of China's national defense capabilities and nuclear deterrence, but it will also have a long-range effect on the development of the newer generation of sea-based nuclear weapons and the advancement of world peace.

Development trends in contemporary submerged carrier rockets are chiefly in the areas of increasing the range, strengthening penetrative ability, and improving hit precision and destructiveness. It can be predicted that as modern science develops, future sea battles will be even more intricate and complex, and there will be even greater breakthroughs in submerged carrier missile technology.



**Examination of Nuclear Submarine**

40050585a BINGQI ZHISHI [ORDNANCE  
KNOWLEDGE] in Chinese No 3, 15 May 89 p 17

[Article by Hu Chunhua 5170 2504 5478: "The Dragon of the Bright Blue Sea—An Interview with Ship's Captain Xu Zuoren 1776 0155 0088, First Officer in Charge of a Chinese Nuclear Guided Missile Submarine"]

[Text] One day in September 1988, as a guided missile nuclear submarine slowly sailed into port after successful completion of an underwater carrier rocket launch, colorful banners danced in the breeze of the quiet harbor and the sound of joyful music echoed everywhere. As our vehicle arrived at the dock next to the submarine, we could see the heroic grandeur of this "steel whale."

The horn of the nuclear submarine rang out as it entered the harbor, and for as far as the eye could see, like a grey whale it slowly cruised up to the dock. In comparison with a conventional submarine that was drawn up at an adjoining dock, there were obvious external differences: The body of the submarine is long and slender, long with its round sleek "head" and its upraised "tail"; on the lofty conning tower were set in motion two lively "wings," which were the diving rudders of the nuclear submarine; several round iron hatches distributed at equal intervals behind the conning tower tell people that this section is the rocket launch compartment of the nuclear submarine.

At the moment the submarine docked, we could not keep from climbing up the gangway ladder onto the deck. It was just at the time when the commanding officer, Xu Zuoren, was coming down off the bridge. He was beaming with uncontrollable pleasure, and there were tears of joy still present on his face. Our horde of reporters surrounded him noisily, asking him this and asking him that...

Walking into a compartment of the nuclear submarine, it was as if we were entering a world full of color, what with all the various valves and pipeline handles in different shades and hues, and the rich variety of mechanical equipment, alternately on and off, and the various indicator lamps were like stars, the effect truly dazzling. All sorts of sounds came to our ears: The roar of the ventilators and the whisper of the keys rose and fell as if they were a special kind of symphony orchestra. And the smells that forced their way into our nostrils were also of all sorts: The smells of diesel fuel, rubber, and paint combined into a blended odor. From the forward cabin to the aft cabin, from the upper levels to the bottom, the temperatures varied widely at each location. Some were like spring, some like full summer, and some like midautumn. We had first heard that submarines are like mazes, and there were those among us who were skeptical, but with our own eyes we soon became convinced.

Captain Xu explained to us that this ship was entirely designed and manufactured in China, that not a single part had been imported, as more than 2,000 plants in

more than 20 provinces and municipalities throughout China had done all the production. All together, there are more than 1,000 different pieces of equipment on board, and more than 10,000 instruments and meters. If all the cables and wires on the ship were linked together, they could be wrapped several times around the earth. Captain Xu said that a guided missile submarine is a symbol of a nation's deterrence, that the nation has great endurance, good performance while concealed, and powerful maneuverability, all of which makes the enemy fear the second-strike nuclear capability. It is for that reason that powerful nations in the world do not hesitate to invest enormous sums in creating guided missile nuclear submarines. After the USSR, the United States, the UK, and France, China is the fifth nation to successfully carry out an underwater launch of carrier rockets from a nuclear submarine. We were deeply moved to hear what Captain Xu was saying.

Once Xu Zuoren began talking of submarines, the words just came tumbling out, and he never spoke of himself. He went from being a sailor on a submarine to navigator, from navigator to captain of a conventional submarine, and from there to become first captain of a nuclear submarine, so he has worked for all of 32 years in this cradle made of submarines. Not unemotionally, he told us that submarine technology and equipment is complex, and that these things involve dozens of specialties, the likes of navigation, communications, electrical engineering, microcomputers, and missiles. These days, having only a junior high school education is not enough, as such areas as astronomy and geography, high-energy physics, and high-level mathematics are all approached in a spirit of working bit by bit at a large job. Although this situation is fine now, the Military Commission and leading Navy officials have been extremely concerned with building up the nuclear submarine force, and now all ship personnel are trained at academies, and 95 percent of cadres have at least a vocational school education.

We also asked Captain Xu to answer this question: If shipboard personnel work on nuclear submarines year in and year out, it is hazardous to their health? Smiling, Captain Xu frankly told us that it would not be realistic to say that there is no effect at all, but not to the point of being dangerous to health. Because the ship is equipped with protective equipment and measures to guard against radiation, what radiation exists is within the range of national safety standards. It is similar to the dose one would receive from a fluoroscopy or a B supersonic wave in a hospital, and nuclear submarine personnel also receive an appropriate dosage compensation allowance. Even with all this, one must be careful with any contact with radioactivity, for this is a most dangerous area, and it is extremely important to strictly comply with the system of rules on a nuclear submarine. Sometimes the engine system malfunctions and personnel will have to work under a certain degree of "exposure," but this has no great effect on health.

So, although we did not have to fight off lions and tigers, nor endure the hardships of extreme locations, we were

nevertheless thoroughly tested. As we said goodbye to Captain Xu, we caught a final glimpse of the submarine that lay next to the dock, rolling with the swell—it looked

to be wriggling its arched back, as if it could not bear the loneliness of being tied to the dock, but longed instead for the limitless open seas.

## CENTRAL-SOUTH REGION

**Salary Reform Proposed for Shenzhen Public Employee System**

40050597 Zhengzhou LINGDAO KEXUE  
[LEADERSHIP SCIENCE] in Chinese  
No 5, May 89 p 36

[Article by Zhu Manliang 2612 3341 5328, Party School and Political Structure Reform Center of the CPC Central Committee: "Why Do the Shenzhen Party, Government Cadres Want To Leave?"]

[Text] Last year we conducted a monthlong survey and study of the public employee system, first put into effect by the Shenzhen Special Economic Zone, and the corresponding countermeasures for the problem it faces. We came up with some views (for details see the first issue of ZHONGGUO ZHENGZHI TIZHI GAIGE [REFORM OF CHINA'S POLITICAL SYSTEM]). We discovered that the public employee system, first put into effect in Shenzhen, met a pressing need for development of the special economic zone's undertakings and also possessed many advantages, but that there were some problems that urgently awaited solution. At present, the most immediate and prominent problem is that the salary level of party and government organizations' working personnel is lower than the average level in society, and far lower than the level of an enterprise's managerial personnel. This situation makes the organizations' personnel want to leave. They want to be transferred to enterprises, which is extremely difficult to do. According to a questionnaire survey of 352 persons in the city's party and government organizations, 188, or 53.1 percent, wanted to go to an enterprise, and only 82, or 22.95 percent, were willing to stay in the organizations or go to a government department. This shows that the "theory of unfairness" in social psychology has already produced effects on the organizations' employees.

According to surveys, in 1981 the average monthly salary of organizations' employees was 200 yuan, while the average monthly salary in society was 225 yuan; the average monthly salary of managerial personnel in state-run enterprises at the middle level and on the low side of the middle level was 300-350 yuan. The salary levels in the "three capital sources" enterprises and commercial departments, especially in the foreign trade departments, were even higher. Also, the enterprises provided far more goods in kind than did the organizations. This situation has led people to say that the organizations' cadres are "beautiful goods at cheap prices" who have caught the "multistory disease from birth to death." In 1987 four members of the city government's first secretariat transferred to enterprises; the smallest increase in

their monthly salaries was 114 yuan and the largest increase was 160 yuan. With regard to the above-mentioned salary system, confused feelings exist widely among party and government organizations. The problem of rationally solving the problem of salary and welfare, after starting the public employee system, is a problem that cannot be evaded. Otherwise, not only will it be difficult to draw excellent talents into the public employee ranks, but also it will be impossible to retain the existing talents. If excellent talents cannot be drawn into the system and retained, it will be impossible to attain the goals of the public employee system.

Fundamentally speaking, the solution to this problem must be to break away from traditional concepts and to boldly reform the existing cadre salary system, so that the salary and treatment of public employees, and their social position, are effective and adaptable. To set up this public employee salary system, we must implement the principle of distribution according to work, as well as make balanced comparisons, namely, relating comparisons with salaries and comparisons with how salaries are determined, in order to determine a rational level for the salaries of public employees. We think that the level of public employee salaries should be compared with the level of managerial personnel (including administrative and managerial personnel and specialized technical personnel) in enterprises, and should, on the whole, be commensurate. The reasons are: First, as a department that produces materials, the enterprise is the principal creator of the state's financial revenue. The enterprise's salary level is directly affected by objective economic laws, and is closely related to its development of production, economic returns, and labor productivity rate. This salary level has a representative nature that the salary levels of other industries do not possess. Second, because the proportion of workers in an enterprise's staff and workers is very large, if the public employees' salary level were maintained at the level of all the staff and workers it would, in reality, be close to the level of the average worker's salary and would not reflect the difference between mental work and physical work. The managerial personnel of an enterprise and the public employees are both mental workers, and to make their salary levels commensurate would be comparatively rational, and because the indices are clear, the levels could be easily calculated. In the salary level we should factor in subsidies and welfare. Thus, we will add a "sense of honor" to the understanding of the public employees about service to the country, which will be an element in attracting talented persons, so that public employees will value public employment, a situation that will be advantageous for ensuring the excellence, stability, and honesty of the public employee ranks.

### Survey Reveals Perceptions of Performance of Local Officials

40050621b Taipei TZULI WANPAO in Chinese  
9 Jul 89 p 1

[Reporter Wang Ming-i 3769 6900 5030 report from Taipei: "Results of Administrative Performance of City Mayors and County Magistrates"]

[Text] According to the results of the latest poll released this afternoon by the Public Opinion Poll Foundation, Ilan County Magistrate Chen Ting-nan [7115 1353 0589], Taipei City Mayor Wu Po-hsiung [0702 0130 7160], and Nantou County Magistrate Wu Tun-i [0702 2415 5030] ranked highest among 23 local government leaders when over 80 percent of the public in their own county, city, and municipality expressed satisfaction with their overall administrative performance; whereas Hsinchu City Mayor Jen Fu-yung [0117 1381 0516] and Chilung City Mayor Chang Chun-hsi [1728 2504 3556] ranked last when less than 50 percent of the public expressed satisfaction.

In this "poll of satisfaction with the administrative performance of local government leaders in the first half of 1989" the Public Opinion Poll Foundation conducted a total of 9,626 sample telephone interviews with adult citizens. Successful samples of counties and cities each contain an average of 419 people. The survey was conducted between 9 May and 6 July 1989.

The names of county mayors and county magistrates are listed in the following in the order of the degree of satisfaction expressed by the public with their administrative performance according to the results of this survey:

1. Those who scored over 80 percent are Ilan County Magistrate Chen Ting-nan, Taipei City Mayor Wu Po-hsiung, and Nantou County Magistrate Wu Tun-i.
2. Those who scored between 70 to 79.9 percent are Chiayi City Mayor Chang Po-ya [1728 0590 7161] and Kaohsiung County Magistrate Yu Chen Yueh-ying [0151 7115 2588 3841].
3. Those who scored between 60 and 69.9 percent are Kaohsiung City Mayor Su Nan-cheng [5685 0589 2052], Taipei County Magistrate Lin Feng-cheng [2651 0023 2973], Taoyuan County Magistrate Hsu Hung-chih [1776 7703 1807], Hinchu County Magistrate Chen Chin-hsing [7115 6651 5281], Miaoli County Magistrate Hsieh Chin-ting [6200 6855 3060], Changhua County Magistrate Huang Shih-cheng [7806 4258 1004], Chiayi County Magistrate He Chia-hua [0149 0857 5478], Hualien County Magistrate Chen Ching-shui [7115 3237 3055], and Taitung County Magistrate Cheng Lieh [6774 3525].
4. Those who scored between 50 and 59.9 percent are Taichung City Mayor Chang Tzu-yuan [1728 1311 3293], Tainan City Mayor Lin Wen-hsiung [2651 2429 7160], Taichung County Magistrate Chen Keng-chin

[7115 1649 6855], Yunlin County Magistrate Hsu Wen-chih [6079 2429 1807], Tainan County Magistrate Li Ya-chiao [2621 7161 2884], Pingtung County Magistrate Shih Meng-hsiung [2457 1322 7160], and Penghu County Magistrate Ou Chien-chuang [2962 1017 1104].

5. Those who scored between 40 and 49.9 percent are Chilung City Mayor Chang Chun-hsi and Hsinchu City Mayor Jen Fu-yung.

It was understood that Chen Ting-nan, Wu Tun-i, and Chang Po-ya, who scored high, will be relieved of their office when their term is completed at the end of this year. Jen Fu-yung, Li Ya-chiao, and Chang Tzu-yuan, who scored low, may again face pressure due to the publishing of this survey when they seek reelection at the end of this year.

This survey report also included surveys on individual items such as "the overall administrative performance of city mayors and county magistrates," "the work efficiency of city and county governments," "the local construction of cities and counties," "the public security of cities and counties," "the quality of education of middle and elementary schools in cities and counties," "the overall quality of life in cities and counties," "bribery among city and county government employees," "the voting tendency of city mayor and county magistrate elections," and "the political party affiliation of ideal city mayors and county magistrates." The entire poll was jointly planned by Ting Ting-yu [0002 1656 1342], director of the board of the foundation, and professors Chu Yun-han [2612 0061 3352], Ming Chu-cheng [2494 1446 2973], Lin Chia-cheng [2651 0857 6134], Chi Chun-chen [4764 0193 5256], and Liu Tsung-te [0491 1350 1795]. On the afternoon of 9 July 1989, Li Kuo-hsiung [2621 0948 7160], He Szu-yin [0149 1835 0936], Po Ching-chiu [5631 1987 3773], and Pang Chien-kuo [1690 1696 0948] will be invited to make comments on the survey.

### Visitors to Mainland Face '8 Fears'

40050621a Hong Kong MING PAO in Chinese  
8 Jul 89 p 9

[Article: "Taiwanese Who Visit the Mainland Have Eight Fears"]

[Text] The United Front Work Department of the Communist Party of China recently admitted in an internal document that Taiwan people have encountered frequent inconveniences when they visited relatives on the mainland. There are all together "eight fears:"

1. Fear about the inconvenience of transportation. It is hard to get any kind of ticket for transportation on the mainland. This has caused many people to change their preplanned itinery, miss the planned meeting of their relatives and friends, and even delay their exit dates.
2. Fear of thieves, robbers, holdups, and swindlers. Many Taiwan residents have had problems with thieves,

robbers, swindlers, and pickpockets during mainland visits. But since they do not know dialects and have lost their money and identity papers, they have no way to file complaints.

3. Fear of blackmail and extortion.

4. Fear of "donations." Communist cadres in all areas hold "receptions" to welcome Taiwan visitors and attach a "voluntary donation sheet" or donation book to the end of the guest book. They also use dirty tricks to lure and force them to make donations.

5. Fear of black market foreign currency dealers. Black market foreign currency dealers surround Taiwanese as

soon as they see one. Sometime they chase them to their hotels, restaurants, and even their relatives' and friends' houses to harass them constantly.

6. Fear of bathrooms. Most Taiwanese say that the unsanitary condition of public bathrooms on the mainland is unbearable.

7. Fear of the clerks of state-run stores and hotels who have a bad attitude and are quick to lecture customers.

8. Fear of relatives and friends who ask for money and things and argue and fight for presents.

### Import Slowdown Cuts Trade Deficit

HK2608051989 Hong Kong SOUTH CHINA  
MORNING POST (BUSINESS POST) in English  
26 Aug 89 p 1

[By Amelia Cabatit]

[Text] A surplus of \$3.8 billion last month has cut Hong Kong's trade balance deficit to \$9.66 billion for the first seven months of the year—only 7 percent more than in the same period last year.

This compares with a deficit of \$13.5 billion for the first 6 months, or 54 percent more than last year.

But provisional trade figures from the Census and Statistics Department show that the cut was due to slowing imports, rather than a sharp rise in exports.

Last month, imports totalled \$48.72 billion—a rise of 9.8 percent from July last year. Total exports rose 19.1 percent to \$52.54 billion.

The low import figure caught observers by surprise. It compares with a year-on-year figure of 25 percent for June.

"This means retained imports (imported goods not re-exported) have fallen sharply and could point to either a slowing production for the following months or less consumerism," said Hong Kong and Shanghai Bank economist Kwok Kwok-chuen.

"If imports of consumer items had fallen it could only mean that traders and retailers expected fewer sales," he said. "And if imports of raw materials and capital goods had been cut back, production would fall over the next few months.

"Overall, the trade deficit for 1989 will still be wider than last year, although we can expect the trade balance to look better in the second half, compared with the first half of the year," Mr Kwok said.

No breakdown of imports was available yesterday.

Economists noted there was a continuing easing in domestic exports and re-exports.

Domestic exports rose 4.8 percent to \$21.1 billion last month, compared with July last year, and re-exports were up 31.1 percent to \$31.43 billion.

Over the first seven months, domestic exports rose 6.4 percent over the same period last year to \$123.16 billion, re-exports were up 36.3 percent at \$192.53 billion and total exports up 22.8 percent at \$315.69 billion.

The growth rates were lower than in the comparative period of 1988 when domestic exports rose 10.5 percent, re-exports 46.5 percent and total exports 27.8 percent.

A government spokesman said the slowdown in domestic exports was due to easing demand in major overseas

markets. The appreciation of the Hong Kong dollar, pegged to the rising U.S. currency, might also have had an effect.

The China crisis did not seem to have affected the figures, he added.

If inflation is discounted, the real growth rate for last month was only one to 2 percent. This will cause some worry among exporters who would normally expect to see volume pick up in the July-to-September period.

### Power Company Invests in Generating Facilities

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[Text] Hong Kong, August 25 (XINHUA)—A Hong Kong power company will invest HK\$60 billion (\$7.69 billion) in new generating facilities to meet the growing demands of the region's robust economy and needs of the community in the coming decade.

"This bears ample testimony to the confidence which shareholders, both local and overseas, continue to have in the longer term future and prosperity of Hong Kong," said Mrs Anson Chan, secretary for economic services of the Hong Kong Government, at the opening ceremony of the "Electricity and You" exhibition organized by the China Light and Power Company, Limited (CLP) here today.

Chan said that electricity consumption in the past 5 years has increased by over 8 percent annually while charges in real terms are lower than they were in 1983 after taking inflation into account.

"Electricity stokes the engine of economic growth. Our economy has enjoyed robust growth averaging 11 percent per annum in real terms over the past three years," she said.

CLP has invested some HK\$29 billion (\$3.72 billion) in building the Castle Peak "A" and "B" power stations with eight generating units which are expected to go into commercial operation early next year.

Total generating capacity of the power stations will be 4,350 megawatts, making it one of the largest coal-fired power plants in the world.

Sir Sidney Gordon, deputy chairman of the CLP Board of Directors, said CLP is confident in Hong Kong's continued growth and prosperity over the next decade and beyond.

The company's planning department has forecasted annual growth rates averaging seven percent during the next ten years, and as a result there will be a need to begin planning and constructing in the near future new power stations in Hong Kong, including a major coal fired plant, he added.

It is expected that three 400KV transmission lines will be completed in 1990's.

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Considerations are being given to participate in a hydro-electric pumped storage power station located in the

Guangdong Province for the purpose of supplying to the customers in Kowloon and the New Territories.